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HOUSE OF COMMONS

Fourth Session—Twenty-Fourth Parliament

1961

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STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

PROCEEDINGS

No. 1-17

Respecting

PRICES OF FARM MACHINERY

THURSDAY, FEBRUARY 2, 1961

MONDAY, MARCH 20, 1961 — SEPTEMBER 26, 1961

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue,
Badanai,
Belzile,
Boulanger,
Brassard (*Lapointe*),
Brunsden,
Campbell (*Lambton-
Kent*),
Clancy,
Clermont,
Cooper,
Danforth,
Doucett,
Drouin,
Dubois,
Dupuis,
Fane,
Forbes,
Forgie,
Godin,

Gundlock,
Hales,
Hardie,
Henderson,
Hicks,
Horner (*Acadia*),
Howe,
Kindt,
Knowles,
Korchinski,
Latour,
Leduc,
McIntosh,
Michaud,
Milligan,
Montgomery,
Muir (*Lisgar*),
Nasserden,
Noble,
Pascoe,

Peters,
Phillips,
Racine,
Rapp,
Regnier,
Ricard,
Rogers,
Rompre,
Slogan,
Smith (*Lincoln*),
Southam,
Stefanson,
Tardif,
Thomas,
Thompson,
Tucker,
Villeneuve,
Webb—60.

(Quorum 15)

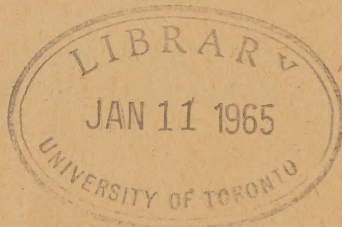
Clyde Lyons,
Clerk of the Committee.

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ORDERS OF REFERENCE

House of Commons,
December 2, 1960.

Resolved,—That the following Members do compose the Standing Committee on Agriculture and Colonization:

No. 6

Agriculture and Colonization

Messrs.

Argue,	Hales,	Peters,
Badanai,	Hardie,	Phillips,
Belzile,	Henderson,	Racine,
Boulanger,	Hicks,	Rapp,
Brassard (<i>Lapointe</i>),	Horner (<i>Acadia</i>),	Regnier,
Brunsdén,	Howe,	Ricard,
Campbell (<i>Lambton-Kent</i>),	Kindt,	Rogers,
Clancy,	Knowles,	Rompère,
Clermont,	Korchinski,	Smallwood,
Cooper,	Lahaye,	Smith (<i>Lincoln</i>),
Danforth,	Leduc,	Southam,
Doucett,	Latour,	Stanton,
Drouin,	McBain,	Stefanson,
Dubois,	McIntosh,	Tardif,
Dupuis,	Michaud,	Thomas,
Fane,	Milligan,	Thompson,
Forbes,	Montgomery,	Tucker,
Forgie,	Muir (<i>Lisgar</i>),	Villeneuve,
Godin,	Nasserden,	Webb—60.
Gundlock,	Noble,	
	Pascoe,	

(Quorum 20)

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

THURSDAY, January 19, 1961.

Ordered,—That the name of Mr. Slogan be substituted for that of Mr. Stanton on the Standing Committee on Agriculture and Colonization.

WEDNESDAY, February 8, 1961.

Ordered,—That the Standing Committee on Agriculture and Colonization be empowered to print, from day to day, such papers and evidence as may be ordered by it, and that Standing Order 66 be suspended in relation thereto;

that the quorum of the said Committee be reduced from 20 to 15 Members, and that Standing Order 65(1)(f) be suspended in relation thereto; and that the said Committee be granted leave to sit while the House is sitting.

TUESDAY, March 14, 1961.

Resolved,—That the Standing Committee on Agriculture and Colonization be empowered to continue its inquiry into the question of prices of farm machinery as recommended by the said committee in its Fourth Report presented to the House July 28, 1960, and that the committee's Minutes of Proceedings and Evidence with regard to this inquiry at the last session be referred to the said committee.

Attest.

Léon-J. Raymond,
Clerk of the House.

REPORT TO THE HOUSE

The Standing Committee on Agriculture and Colonization has the honour to present its

First Report

Your Committee recommends:

1. That it be empowered to print, from day to day, such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.
2. That its quorum be reduced from 20 to 15 members and that Standing Order 65 (1) (f) be suspended in relation thereto.
3. That it be granted leave to sit while the House is sitting.

Respectfully submitted,

JAMES A. McBAIN,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, February 2, 1961.

(1)

The Standing Committee on Agriculture and Colonization met at 9.30 a.m. this day for organization purposes.

Members present: (40) Messrs. Argue, Badanai, Brunsdon, Campbell (*Lambton-Kent*), Clermont, Cooper, Danforth, Doucett, Dubois, Fane, Forbes, Godin, Hales, Henderson, Hicks, Horner (*Acadia*), Howe, Knowles, Korchinski, McBain, McIntosh, Montgomery, Muir (*Lisgar*) Nasserden, Noble, Pascoe, Peters, Phillips, Racine, Rapp, Ricard, Rogers, Slogan, Smallwood, Southam, Stefanson, Thomas, Thompson, Tucker and Webb.

Mr. Danforth moved, seconded by Mr. Howe, that Mr. James A. McBain be elected Chairman of the Committee.

On motion of Mr. Noble, seconded by Mr. Rogers, nominations were closed.

Mr. McBain, duly elected Chairman, took the Chair and thanked the Committee for the honour conferred on him. He paid tribute to the late Chairman, Mr. Hayden Stanton, for services rendered.

On motion of Mr. Hales, seconded by Mr. Southam,

Agreed—That on behalf of the Committee, a letter of condolence be sent to Mrs. Hayden Stanton.

Mr. Ricard moved, seconded by Mr. Rogers,

Agreed—That Mr. Paul Lahaye be first Vice-Chairman of the Committee.

Moved by Mr. Henderson, seconded by Mr. Stefanson,

Agreed—That Mr. Clifford Smallwood be second Vice-Chairman of the Committee.

The Orders of Reference having been taken as read, Mr. Argue, seconded by Mr. Peters, moved a motion requesting the Committee to study the feed mills question again. The motion was ruled out of order on the grounds that the Committee could not take anything under study without an order of reference from the House.

Whereupon Mr. Argue, seconded by Mr. Peters, moved the following motion:

“That the Committee request the permission of the House to inquire into the question of feed mills buying wheat, oats and barley at distress prices.”

Following discussion as to whether the motion was in order, the Chairman ruled it in order.

Mr. Muir (*Lisgar*), seconded by Mr. Stefanson, moved in amendment thereto: “That the motion be not now put but that it be referred to the steering Committee.”

Mr. Nasserden, seconded by Mr. Pascoe, moved in amendment: “That the words ‘after July 31st’ be added to Mr. Argue’s motion”.

Mr. McIntosh appealed the Chairman’s ruling on the admissibility of Mr. Argue’s motion.

The Chairman’s ruling was not sustained on the following division:
YEAS, 12; NAYS, 15.

Moved by Mr. Henderson, seconded by Mr. Forbes,

Resolved—That permission be sought to print such papers and evidence as may be ordered by the Committee.

Moved by Mr. Tucker, seconded by Mr. Slogan,

Resolved—That a recommendation be made to the House to reduce the quorum from 20 to 15 members.

Moved by Mr. Southam, seconded by Mr. Slogan,

Resolved—That the Committee seek leave to sit while the House is sitting. *On division.*

Moved by Mr. McIntosh, seconded by Mr. Stefanson,

Agreed—That the subcommittee on Agenda and Procedure be comprised of the Chairman and six members to be named by him.

At 10.45 a.m., the Committee adjourned to the call of the Chair.

MONDAY, March 20, 1961.

(2)

The Standing Committee on Agriculture and Colonization met at 9.35 this day. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Brunsden, Clancy, Clermont, Dubois, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Kindt, Knowles, Korchinski, McBain, Michaud, Milligan, Montgomery, Nasserden, Pascoe, Peters, Rapp, Regnier, Rogers, Smallwood, Southam, Stefanson, Thomas, Tucker, Webb —(29).

The Chairman announced that Messrs. Lahaye, Smallwood, Belanger, Forgie, McIntosh and Peters would act with himself as Members of the Subcommittee on Agenda and Procedure.

The Chairman instructed the Clerk to read the Minutes of the meeting of this Subcommittee. (*See this day's proceedings*).

Moved by Mr. Rogers, seconded by Mr. Stefanson,

Agreed—That the Committee print 750 copies in English and 250 copies in French of the Minutes of Proceedings and Evidence of the Committee.

The Chairman instructed the Clerk to read his Report to the Subcommittee on Agenda and Procedure regarding organizations who were asked if they wished to present briefs on farm machinery prices. (*See this day's proceedings*).

Moved by Mr. Clancy, seconded by Mr. Fane,

Agreed—That the organizations presenting briefs on farm machinery prices be instructed to send copies of their briefs at least one week before their appearance.

Moved by Mr. Boulanger, seconded by Mr. Regnier,

Agreed—That French interpreters be in attendance at all the meetings of the Committee.

A general discussion followed in regard to what information the Members of the Committee would like incorporated in the briefs to be presented by the organizations appearing before them on farm machinery prices.

At 11.10 the Committee adjourned until Friday, March 24th at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

MONDAY, March 20, 1961.

9.30 a.m.

The CHAIRMAN: Gentlemen, I see a quorum this morning. I am very pleased to have such a large turnout on a Monday morning after a heavy weekend, and on such a nice spring day. We hope that the weather will have some effect on the temperament of our meeting this morning.

First of all, to get our meeting under way, I think probably we should hear a report on our agenda and procedure. Accordingly, I now ask the Clerk of the committee to read that report at this time.

The CLERK OF THE COMMITTEE: I shall just read the things to which the committee agreed.

Agreed: that the standing committee on agriculture and colonization hold meetings on Monday, March 20th, and Friday, March 24th.

Agreed: that at the Monday meeting the members of the committee be asked to express their views on what information they expect from the organizations presenting briefs on farm machinery prices.

Agreed: that at the Friday meeting the economists from the Department of Agriculture who prepared the booklet "A summary of statistics relative to the enquiry into the price of farm machinery" be invited to attend and explain the booklet.

Agreed: that copies of the minutes of proceedings and evidence of the first two meetings be sent to all organizations which have signified their intention of presenting briefs on farm machinery prices.

Agreed: that a motion for printing 750 copies in English and 250 copies in French be placed before the committee.

The CHAIRMAN: Arising out of the minutes of the subcommittee, I shall be happy to entertain a motion for the printing of 750 copies in English and 250 copies in French of our minutes of proceedings and evidence.

Mr. ROGERS: I so move.

Mr. STEFANSON: I second the motion.

Mr. MONTGOMERY: This is not a caucus meeting. It is a regular meeting, but I do not see anybody here from the opposition. This is a standing committee.

Mr. CLANCY: Well, if they cannot get here, we cannot do anything about it.

The CHAIRMAN: We have a motion before us that we print 750 copies in English and 250 copies in French of our minutes of proceedings and evidence. All those in favour?

Motion agreed to.

Gentlemen, at the last meeting of this committee at the last session, most of you, I believe, were members of the standing committee at that time, and as I recall that last meeting, it was suggested that questionnaires be sent out by the members to various farmers in their own areas.

I know that many members took advantage of that opportunity and sent out questionnaires. You may wish to refer to the results of those questionnaires this morning, as well as to any other items which you think would be of value to the committee here.

Our thought was that the meeting this morning should be devoted to the individual members, who might wish to speak for a few minutes. And while I am on that matter, I hope you will confine your remarks to not more than five minutes. I say that because we have a 60-member committee, and if the 60 members speak only for five minutes, for example, it would mean a meeting of five hours. So I hope you will confine your remarks, and make them as brief as possible. I trust that in your remarks you will give us some indication of what you hope the committee may desire when other organizations, farm machinery companies, and so on, come before it.

It would then be the intention to have the clerk send out the proceedings of this committee to the various companies and organizations, so that they may have that material before them prior to their coming down to address us or present briefs to us. It might be helpful to them if they had the questions asked here this morning, so that when they come before you they would have the answers.

After the last meeting, at the last session, the clerk sent out a number of letters to various organizations. Therefore I shall now ask the clerk who prepared the letters to read his report into the record now so that you will know the particulars.

The COMMITTEE CLERK:

At the last meeting of the standing committee on agriculture and colonization in 1960, the clerk of the committee was instructed to write the following organizations asking them if they were interested in presenting a brief and sending representatives to appear before the committee, on farm machinery prices: Saskatchewan Farmers Union, Ontario Retail Farm Equipment Dealers Association, Interprovincial Farm Union Council, The North-West Line Elevators Association, Canadian Federation of Agriculture, Winnipeg Chamber of Commerce, Canadian Feed Manufacturers, Saskatchewan Wheat Pool, Alberta Wheat Pool, Allis-Chalmers-Rumley Ltd., Canadian Co-operative Implements Ltd., Local Custom Feed Mills, Canadian Labour Congress, Massey-Ferguson Ltd., International Harvester of Canada, John Deere Company, Cockshutt Farm Equipment Limited, United Grain Growers, Canadian Manufacturers Association, The Maritime Cooperative Services, L'Union Catholique des Cultivateurs, La Coopérative Fédérée de Québec, La Coopérative de Granby,

Of these the following are prepared to present a brief and send representatives to appear before the committee: Massey-Ferguson Ltd., Saskatchewan Farmers Union, Ontario Retail Farm Equipment Dealers, Interprovincial Farm Union Council, Canadian Federation of Agriculture, Saskatchewan Wheat Pool, Canadian Labour Congress, International Harvester Company, The Canadian Co-operative Implements Ltd., Cockshutt Farm Equipment Limited.

The following showed interest but were prepared to let their main bodies present their views: The Maritime Cooperative Services, L'Union Catholique des Cultivateurs, La Coopérative Fédérée de Québec, La Coopérative de Granby,

Canadian Manufacturers Association felt that the individual machinery companies should make their own presentations.

In addition, the Government of Saskatchewan wishes to present a brief and appear before the committee. And since this was prepared, the Alberta wheat pool signified their intention of coming.

Mr. BRUNSDEN: Mr. Chairman, we have a great deal of confidence in our steering committee. Might I suggest that we have their names read into the record at this time?

The CHAIRMAN: I shall now read into the record the names of the steering committee, so that we may have them clearly before us. The personnel of the steering committee are Messrs. Lahaye and Smallwood, the two vice-chairman, and Messrs. Boulanger, Forgie, McIntosh, and Peters, as well as the chairman.

Mr. BRUNSDEN: I think we would be employing our time more usefully if we referred these matters to the steering committee, because that is what it is for.

Mr. CLANCY: I move that if any company or organization wants to appear before this standing committee to present a brief, that it supply the members of our committee with copies of such briefs at least one week before the appearance so that we may have an opportunity to read the brief and obtain any necessary information. I suggest this course rather than taking up the time of the committee by having somebody stand and read the brief.

Mr. FANE: I second the motion.

The CHAIRMAN: You have all heard the motion? Is there any discussion?

Mr. CLANCY: I shall repeat: my motion is that if any group wishes to appear before this committee to present a brief, that every member of the standing committee be given that brief at least seven days before the appearance so that he may read it and get such information as he may need, and thereby save time.

The CHAIRMAN: It has been moved by Mr. Clancy and seconded by Mr. Fane. Is there any discussion?

Mr. HORNER (*Acadia*): Mr. Chairman, is it necessary that such briefs be filed as long as one week before the appearance? That seems to me to be a lot of time. If anybody wishes to present a brief, the chairman will have to inform him, and set a date; and then the person will have to whip in his brief very quickly.

Mr. MILLIGAN: I think the motion is a very good one. Probably a week is a little bit too long. It seems to me that the briefs we are to get from farm organizations should come first, because I think the farm organizations are only going to express our opinions. We want to know if they are in line with the thinking of the people who are engaged in agriculture. I think that the farmers themselves, who are using the machines, can offer a great deal more probably, than some of those organizations.

Now, whether briefs from those organizations are going to alter the thinking of most farm people, I think it is up to us to decide here. It would appear to me that if we do have these briefs, we should look them over first, so that when the farm machinery dealers, or the agents come here, or the companies, we would be in a better position to question those machine manufacturers a bit more intelligently.

The CHAIRMAN: Is there any further discussion?

Mr. KORCHINSKI: Mr. Chairman, suppose some organization did not present a brief at this time. Would it be able to appear before the committee later on?

The CHAIRMAN: I do not think there should be a hard and fast rule. You are asking these organizations, if possible, to have their briefs in the hands of the member of the committee, as has been suggested, a week before they appear, or probably as soon as possible. I would suggest we might perhaps put a minimum of three days on it; that might be more appropriate. I wonder if Mr. Clancy would amend his motion to the effect that the briefs should be presented at least three days before the appearance.

Mr. THOMAS: Mr. Chairman, I would like to support the motion that the period be at least a week. I do not think that is too long a period in which to have these briefs in our hand before they are heard. I would be glad to support the motion that if possible we have the briefs a week ahead of time.

The CHAIRMAN: I might say that these companies all have been notified. In January they were advised to have them ready. I think they have had ample time to prepare the briefs. Actually they were notified last August and then were re-notified.

Mr. PETERS: There is a great deal of merit in the motion, but I would not like to see it made compulsory. I do not think it should mean that they could not appear unless they had presented their briefs a week ahead of time. Some of them might have extensive briefs from which we would get a great deal; on the other hand, others may have very small, informal briefs. I am thinking of some of the farm organizations which would appear, and it would be mostly a matter of speaking to the farmers, as Mr. Milligan said. I would not like to see a ruling that if they do not send in their briefs ahead of time they cannot appear. This would not be in keeping with the normal procedure in other committees. Although I do think there is some good reason for supporting the motion, I would not like to see it have the effect of some organizations not having the opportunity to appear.

Mr. CLANCY: My opinion simply is this: if this committee is going to be of any value, it is hardly worth having people appear at all who have not given enough thought to put in a brief seven days ahead of time. We can always sit on coffee row and speak to them.

Mr. FANE: I agree 100 per cent.

Mr. THOMAS: Does this motion shut out any organization which does not have its brief in our hands seven days ahead of time?

The CHAIRMAN: Some organizations may not wish to prepare a brief at all. They may wish to appear merely to have a general discussion. Are we going to exclude them?

Mr. CLANCY: I did not suggest that anyone be excluded. Personally I do not feel that I would get much out of it if I sat and listened to somebody read a brief. I am a little slow, and I like to think it over.

Mr. ROGERS: There is nothing wrong with the motion, but we do not wish to exclude anyone.

Mr. CLANCY: There is nothing in the motion which would exclude anyone.

Mr. HORNER (*Acadia*): Would you read the motion again?

The CHAIRMAN: I will ask the clerk to read the motion.

The COMMITTEE CLERK: Moved by Mr. Clancy, seconded by Mr. Fane, that the organizations presenting briefs before this committee be asked to present them at least one week in advance.

The CHAIRMAN: Are we ready for the question?

Motion agreed to.

Mr. MILLIGAN: I would like to move that the briefs from the farm organizations be heard first, before the companies.

The CHAIRMAN: This morning it was suggested this matter be left to the steering committee and that the steering committee would decide the order in which the presentations would be made.

Mr. FORBES: Last year at some of our meetings we discussed the preliminaries. I have made a note of some suggestions which I would like to make at this time.

The purpose of this inquiry is to determine, if possible, why the costs of farm machinery have increased approximately 100 per cent during the last ten years, while farm income has decreased during the same period. The operating costs on an average sized Manitoba farm have gone up to \$15,238.00 annually, from \$4,800 about 15 years ago. According to a farm management survey conducted by the University of Manitoba, of every \$1.13 a farmer receives he needs \$1 to pay expenses, and therefore he only earns 13 cents. On an examination of this report we find that farm machinery is the largest item of expense.

Among the questions the committee should expect to have answered are the following: are the manufacturers' profits too high? What percentage of the cost of machinery goes to labour? What percentage of the cost of machinery goes to freight? What is the amount of commission paid to agents? Are there too many distributors? Why do costs continue to rise for equipment and parts—and I emphasize "parts". What is the mark-up on parts? Would standardization of equipment lower prices? What kind of an agreement do the machine companies have with their agents?

For the information of the committee I endeavoured to obtain some of this information. I do not want to divulge the source of my information, but I will read a few extracts. Among the things I asked was the following: "Some machine agents have indicated to me they have to pay for stocks of parts themselves and that the manufacturers will not give them credit for parts that become obsolete. Is it your opinion that there are unfair trade practices between the agents and the manufacturers?" The answer I got back is this:

Dealer purchase agreements with manufacturers do vary somewhat in respect to purchase of new machine units, and as a rule some sort of floor plan does exist to allow a dealer to carry sample models of machines. Repair parts, however, are usually on a 30-day basis and the dealer is required to invest quite a sizeable amount of money in parts.

It goes on to say that under certain circumstances a dealer can get extra discounts, and in some cases extended terms. Then there is this:

The problem of obsolete parts will have to be solved by more efficient means of stock control on the part of the dealer and the supplier.

There is another thing which concerns us regarding prices of farm machinery. I pick up the paper dated June 20, 1960, and see this:

Philadelphia—Allis-Chalmers Manufacturing Co. Tuesday pleaded guilty to federal charges of price-fixing and bid-rigging in the sale of heavy electrical equipment. Twelve other companies indicated with Allis-Chalmers pleaded innocent.

Then the article goes on and gives more details. Most of the members of this committee know that the electrical firms enter into this matter in respect of such pieces of equipment as starters and ignition systems. This involves such companies as Westinghouse and Delco. Some of the parts come in from the United States. Does the combine in the United States affect prices in Canada?

There is another article headed "Executives get Jail Terms in Electrical Anti-Trust Suit". The article goes on to state that there actually was a combine. Does that situation exist in Canada? I would expect the machinery companies to indicate to us that they have no part in this combine in establishing prices on machinery.

One is tempted to be suspicious of any prices of such companies as Massey-Harris, Cockshutt or Allis-Chalmers. You will find their prices are very closely related. I think this is one of the things on which the companies should give us some answers.

I have made a considerable study of the last machinery inquiry which was conducted in this house in 1937. It consisted merely of a lot of statistical figures and there was no conclusion as to what was causing the increase in the prices of machinery. I do not know whether or not the fact that there was an inquiry had anything to do with maintaining the prices at that level at that time.

I am hoping that this inquiry will bring out some definite conclusions as to why the cost of machinery is so high.

Mr. FANE: I would like to string along with everything Mr. Forbes has said. I think he has made a very good start in explaining our feelings in respect of this inquiry.

On the top of the notice which we received for this meeting it states that we are to give our views on what we expect from the organizations presenting briefs. In order to get anywhere in this matter I think we must conduct the inquiry from every angle. We have to find out the cost of the machinery at the very start and then determine why it is so high. We must also determine why it costs so much to get steel. Of course we all know that, but we do not have figures on it. We must know about freight rates, labour, and the importation of various parts which are not made in this country. We have to know about spare parts. We must also know about the cost of distribution. The cost of distribution is a factor which the farmer thinks goes a long way towards making the prices so high. Shall we suggest to these companies that they make one standard model and do not change it every year? Shall they all make a standard model and have the equipment more or less interchangeable? I know it will not help the machine companies too much, but we will not worry about that, so long as we help the farmer. The cost of repairs is something which seems to be entirely beyond reason. The distributor gets a very high commission on these things. Of course, if all the facts are known, perhaps he is entitled to it; perhaps he is not; he may get more than he should.

We must go through all these items. This must be gone through right from the start to the finish. Unless we do that we cannot find out what the score is and cannot come to any conclusion.

Thank you.

Mr. THOMAS: Mr. Chairman, I would like to back up the former speakers. I hope that this committee can make a real contribution not only to the farmers of Canada but also to the people in general. Like the cost of our other commodities, the cost of farm machinery should be divided under three heads, namely, the material content, the labour content and the capital cost. As a result of the efforts of this committee, I am hoping that these three costs—and, again I repeat—namely, the material cost, the labour cost and the capital cost, can be traced right through from their source to the finished product. I would start with the ore coming out of the mine and I would carry it through to the finished product, as far as the material cost is concerned. In relation to the labour cost, I would follow it in the same way, from the very source of the mine right through all the different phases to the finished product. As far as the capital cost is concerned, I think it would contain such things as commission, and wall of the other items of overhead—return on investment, depreciation and those other things which must come under the heading of capital cost.

To repeat, I would like to see those things carried from the source right through to the finished product.

The CHAIRMAN: You are next, Mr. Southam.

Mr. SOUTHAM: Mr. Chairman, last July our government put wheels in motion to establish this inquiry in connection with the price of farm machinery, and immediately there was a widespread interest among our farm population across Canada, and, I think, indirectly among other people affected by the

economic welfare of farmers. We have approximately 1,800,000 of them in Canada and, as Mr. Forbes, Mr. Fane and Mr. Thomas have outlined, we are all vitally interested in the fact that we do not want to see this inquiry become abortive, as the one in 1937 did.

I think we should explore every means in order to have a sensible inquiry, and that we should come up with some concrete conclusions to alleviate the present situation.

In speaking to this matter last year in this committee, I suggested that possibly other countries, like Great Britain, the Scandinavian countries, New Zealand, Australia and the United States, must be facing a similar problem in the industry and, as it is possible that they may have made some inquiries along the same lines as we are undertaking, I was wondering if any of this information which they have brought forward has been tabulated. If so, I think it would be advisable for our committee to secure that information and, by having access to it in our deliberations in this committee, it would prove very beneficial to us.

Those are the thoughts that I would like to interject into the discussion this morning.

The CHAIRMAN: Mr. Southam, it is possible that the economists who are going to be heard on Friday next will be in possession of some of that information.

Mr. SOUTHAM: But if they are not, I hope that we will be in a position to send a request for this information to the secretaries of agriculture in the United States and these other countries, if it is available to us. I feel they would have done a great deal of work which we now are undertaking, and it would be a great deal of assistance to us if any information they have was included in our study.

The CHAIRMAN: Have you a statement to make, Mr. Peters?

Mr. PETERS: Mr. Chairman, in looking at some of the developments that have resulted from previous investigations, we probably cannot be too hopeful of the outcome of this inquiry. After discussing these matters during our forthcoming meetings, and studying them at great length, I think we will come to somewhat the same conclusion that the price spreads committee came to, namely that the villain in the whole matter is the consumer himself. It is my opinion that if people would not buy high-priced machinery, it would not be so high. The conclusion they came to at that time was not quite as simple as that but, in effect, it boils down to just that.

I think one conclusion that members of this committee would like to arrive at is that certain standardization should take place. In this regard I am referring to such things as modifications which are made. One of the members mentioned last year that he had paid a great deal for a combine and, engineering-wise, it was not soundly constructed. It was not a good machine. There was an expensive modification on it, but it turned out that it was not a sound one.

We may find that we should make certain recommendations, among them, standardization. We probably will look at the results of other committees which have met in advance—and I am thinking of our defence expenditures committee—where we decided we were going to standardize our arms. However, many years have gone by and we have not been able to do so. Although defence expenditures is a matter over which the government has control, they have not such control in this case. In delving into the facts, I think we will come up with the conclusion that labour is going to be a very small part of the cost of farm equipment. I heard some of the members laughing when I made that remark. However, I will be very surprised if I am wrong in that regard.

Automation has taken place in that field in the same way as it has in others. It is true that wages have gone up. Another problem is that of transportation.

I think that some of the members have hit on a much better reason as to why there is a terrific price involved in the maintenance of farm machinery, and that is in connection with this parts business. We all know—at least in my part of the country—that if you want parts, you go to your local agent and he, in most cases, cannot carry sufficient parts to service all the equipment that he sells. As a result he has to send to a distribution centre, and either pay cash for his parts, or buy them on a short-term credit basis. By the time these parts are held in storage, the express charges and other things taken into consideration, the parts become much too expensive. It is my hope that we can do something in this field.

Mr. Chairman, it is my opinion that we are going to be faced with the same problem with which other committees have been faced. I am thinking particularly of the royal commission on price spreads, and I think we will find out that it boils down to the simple fact—and this is the fact the farmers are not willing to face, and won't face—that the farmer himself wants to buy new equipment, the same as his neighbour does, and thereby keep up with the Joneses. I do not think we are giving enough consideration to the demand for a design of basic farm machinery. It is my feeling that perhaps there are too many frills on farm equipment.

Another thing that I think this committee could do is to investigate this charge or statement which is being made generally by agriculturists, particularly agricultural representatives and those people who are in that particular field, in that field of endeavour where utilization of machinery is made either through co-operatives on a township basis, or even through smaller units, when the fact is that we probably could get away with much less machinery than is being used to produce the same type of production.

Mr. Chairman, I think those are the things that we could go into in a general way. I hope that we can come up with some solution to this price problem. However, I think we are going to meet the same difficulties which the royal commission on price spreads met.

The CHAIRMAN: Have you something to say, Mr. Horner?

Mr. HORNER (*Acadia*): Mr. Chairman, I have no intention of pre-judging the efforts and the conclusions to which this committee will come.

At this time I would like to agree with the remarks made by some of the other members as to what they would like to see the machinery companies present in their briefs.

There is one point which has been overlooked, and it is this. I would like to have the machine companies explain in detail the testing of their machines. We all have seen the pictures of Massey-Harris combines rocking and rolling over a rocky piece of road, and they are proclaimed to have been tested thoroughly. I might say that I have purchased a great deal of machines in my time. There is one piece of equipment in particular of which I can think, and I was so annoyed that I was on the verge of writing the president of the company about it. I think there are many machines put on the market which have not been tested thoroughly and, because of this, on a number of occasions farmers have to call out the local blacksmith or wheel out their own welder and make the repairs themselves. It is my hope that the machinery companies will deal with this point in detail.

Another point that I think has been overlooked is that machine companies in Canada have been charging all the market will bear. I have heard block men of the machine companies state that the same combine made in the United States sells for less money in Germany than it does in Canada. It is identically the same combine but, because the competition in Europe is of a different nature, they lower their price there and make it up on the

western farmer here. I do not like to suggest that this is going on, Mr. Chairman, but I hope that the machine companies, in coming before this committee, will deal with this point and endeavour to prove that they are not charging all the market will bear. Also, I would like information from them as to the price of their combine made in the United States and sold in Europe as compared with the price at which it is sold here in Canada.

The CHAIRMAN: Mr. Kindt is next.

Mr. KINDT: Mr. Chairman, I should like to make a few observations in connection with some of the things which I think this committee should examine, and thereby lay a foundation for later action to be taken.

For example, in the field of production—and after all, what we are dealing with here is production of farm machinery and related problems—as one other member has mentioned, there ought to be a searching investigation into the labour costs, the material costs, the capital costs and management costs. In other words, there are those four factors of production. I think that we should go into each one of those factors and break it down in order to show the build-up or the percentage contribution of each of those to the final cost. In other words, instead of having all this big talk about the price of labour and that sort of thing, which is based on bias, what we are endeavouring to turn up in our study is facts, and the proper relation of those facts, in order to show what the problem is with respect to the farmer who is so oppressed in western Canada because of the price of the farm machinery. I had hoped that the cost breakdown would be brought together by economists who have been working on it since last summer. As yet, I haven't had an opportunity to examine the material which they have brought together. However, it was my thought, when this matter was first discussed—and I made the original suggestion—that a study should be made of these labour, material, capital and management costs, and to have that statistical material properly coordinated, analyzed and, may I say, interpreted, before this committee met and the witnesses appeared before it.

In connection with the distribution side, which, in turn, has to do with marketing. May I say that marketing of farm machinery is a big problem. There are tremendous costs involved, due to competition between companies. It is my feeling that we should examine the spreads in the field of marketing, and that we should take into consideration trade-in values. In other words, we should take into consideration each step, namely transportation, retailing, financing and all those factors in the field of distribution and marketing. In all of those factors in the field of distribution and marketing we should make a thorough examination into the relative proportion of each factor in the complete cost, as well as the relative cost of each in relation to the final cost of the machine to the ultimate consumer.

There are two or three other points which I should like to make, one being that I wish to have some attention given by this committee to new inventions. Last fall, a gentleman from Ontario who was the inventor of the Bren gun, approached Mr. Hayden Stanton, and Mr. Stanton brought him over to my room where we sat down and talked for some time about an invention this man had worked on. In essence, it is a farm tractor, the wheels of which are driven by hydraulics and, instead of the conventional type of motor, this man used a little motor. He claimed that his tractor could be placed on the market at around \$1,500 to \$2,000 and, at the same time, it would have a drawbar power strength greater than the big diesels now in use. I do not know if this inventor has something worth while but it was Mr. Stanton's thought, and I hope it will be followed through by the committee so that this man may appear before the committee to explain his invention.

This gentleman, I should add, is not a fly-by-night. As I have said, he was the man who developed the Bren gun, and I understand he has a factory which employs some 60 people. Therefore, he is not a fly-by-night; he is not someone who has come along with something that could be passed off with a shrug of the shoulders. He is a man who has got something on the ball, and I believe he could contribute much to the work of this committee. This man, and others like him who may be able to point the way to existing machinery companies, could help us in our deliberations—and I say “point the way” because I feel that sometimes new inventions become submerged because certain people who have a throttlehold on the manufacture of farm machinery are inclined to keep them submerged and prevent them, so to speak, from coming to the surface. What I wish to emphasize is that people who may have new inventions should be given an opportunity of appearing before the committee and explaining their inventions.

I think one other important point is that when we bring these things together and analyze them, we should strive to clarify and correct the problem. For what reason are we making this survey? We are making it in order to help the farmers of western Canada—

Some Hon. MEMBERS: All of Canada.

Mr. KINDT: Pardon me, I stand corrected. We want to pinpoint where the problem is and clarify what action should be taken to solve it. If there has to be legislation, fine and dandy, and if it is necessary for a correction to be made by the machine companies themselves, we hope that by airing it before this committee they, having read the deliberations or having appeared before the committee and listened to our proceedings, will of themselves see the handwriting on the wall and make changes before legislation or other things are necessary. I would say, Mr. Chairman, a great deal of the good things which we hope will result from our deliberations will, in effect, be what the manufacturers themselves see are inevitable and I hope that, in the ultimate analysis, the farmer will get the benefit.

There is one final point I should like to make, and it is that in our statistics we include what is the net position of agricultural machinery with respect to the United States. In other words, we know that there is no tariff on farm machinery coming into Canada, and I understand that certain machines which are made in Canada are shipped to the United States and sold there. Conversely, we all know that a great many farm machines manufactured in the United States are imported into Canada and sold here. What I should like to ascertain is the net position in dollars with respect to the flow of those machines back and forth across the line. If I had those over-all figures, I would be able to relate them to the unfavourable trade balance which we have with the United States and see how much of that balance is attributable to the movement of farm machinery. If we are to attack this problem realistically we have got to know these things, we have got to dig into them, and I would have hoped that the economic committee working on these figures during the past year would have been able to delve into the records of the department of commerce, have that material analyzed and present it for the benefit of the committee.

I must say, Mr. Chairman, that what I have said has been just off-the-cuff. I have not made copious notes and, therefore, I agree with the member from Medicine Hat who has said that the guidance for this committee and the guidance for the machine companies who will be bringing in their briefs, should come from the steering committee and the material which it prepares, rather than from off-the-cuff statements that might be made at meetings of the committee. I also feel that anything we have said or accomplished this morning

should be supplemented by work and detailed digging on the part of the steering committee. I think the steering committee should consider the off-the-cuff remarks which the member for Dauphin made in his excellent speech, and I believe that is what the committee wants. We shall have to dig deeply in order to come up with the answers which the farmers from western Canada expect.

Mr. WEBB: Mr. Chairman, I do not remember that we had representatives from the actual dealers, the agents who sell this machinery, at previous meetings. If these men were brought here I think they would give us some very interesting and revealing facts. I do not believe that those of us who go around the country find many prosperous farm machinery dealers. Ontario is the only place I can speak of with authority, and there not long ago the machine companies were setting up dealers almost door to door. They insisted that each dealer should have big showrooms, carry thousands and thousands of dollars worth of stock, and always have so many machines on display. The result was that almost daily dealers were going out of business or going into bankruptcy and, when they went into bankruptcy, there was no way of getting back the money which was invested in their showrooms. The manufacturing companies had to add that to their liabilities and it increased the cost of farm machines which they produced in the following years. If my suggestion is adopted, I believe we shall find out it is not always the agent who is making money on farm machinery.

Mr. BOULANGER: Mr. Chairman, I should like to ask you if it would be possible to have an interpreter attend during the sittings of this committee?

The CHAIRMAN: I shall have to refer that to the clerk. He knows that sometimes there are difficulties involved in having interpreters present. I may now say that it is in the hands of the committee whether they wish to have interpreters present. If the committee decide on that we shall try and make the necessary arrangements.

Mr. HORNER (*Acadia*): I think we should have an interpreter at committee meetings. Many committees seem to arrange this.

Mr. REGNIER: I should like to support Mr. Boulanger. It is very difficult for some French-speaking members to attend and understand what is taking place. It is very difficult for them to take part in discussions unless they can speak in their own language.

The CHAIRMAN: All I can say to Mr. Regnier is that we shall see what we can arrange.

Mr. REGNIER: Perhaps members of the committee who can speak both languages could act as interpreters, in the absence of an official interpreter.

Mr. SOUTHAM: I should like to support what these gentlemen have said. I think this is a very widespread problem. There are a lot of cases where an interpreter would not be necessary but, in a full scale investigation like this, I think it is only fair that one should be in attendance.

Mr. REGNIER: I think the absence of many Quebec members can be explained by the fact that they cannot take their full part in discussions.

Mr. BOULANGER: I should like to thank very much those members who supported my idea. I have just a few words to say this morning. I shall try to do my best but must ask your indulgence.

The CHAIRMAN: Take your time, Mr. Boulanger. We shall bear with you.

Mr. BOULANGER: What I wish to say is that members of the opposition are glad to see the government making a study of the prices of farm machinery and we shall do our best to cooperate with the committee. We hope that the recommendations which will be made when the committee has finished its deliberations will prove of valuable interest to the farmers of the country,

and we also hope that the government will take whatever action is necessary, by legislation, to implement whatever recommendation is made to help farmers who are squeezed between the cost of the services and machines which they use and the prices which they obtain for their farm products.

The farmers, as a whole, are in a very bad situation, and I believe many things could be done to help them. It is premature to say that these things are but we hope it will be possible to make good recommendations when we have finished our study. I also hope during the course of our study members will keep in mind that, in addition to dealing with prices of machinery on the western prairies, as suggested by the member for Medicine Hat, we are also dealing with prices in eastern Canada. I am glad he corrected his statement and, as I have said, we shall do our utmost to cooperate with the committee.

Mr. REGNIER: I just want to touch on one point raised by Mr. Peters, who referred to delay in obtaining parts. This delay, I believe, plays a great part in the ultimate cost to the farmer. Not only does he have to make a trip to a city, and sometimes many trips, to get the part he requires, but there is the cost of the delay itself to be taken into consideration when a machine cannot be operated because a part is missing. I think the committee should study thoroughly this very frustrating and expensive matter of not being able to secure parts whenever they are required.

Mr. NASSERDEN: Mr. Chairman, one of the points we should face is the cost of the reconversion of plans to promote new models, and also to see some encouragement given to the interchangeable parts on the machines. Like some of the other members, I would like to see the effect of labour costs on the wholesale price of farm machinery established. I emphasize wholesale price, not retail price, because there is a difference between some of the companies, I believe. I would also like to have the companies establish the effect of freight costs and set them out in relation to wholesale machine costs to their dealers. I would also like to see the cost of the patent rights on component parts set out in comparison to wholesale machinery prices, and the costs of patent rights on machines and motors used in particular units.

Also I would have the companies set out the extent of the sales outside the recognized name or dealership organization of an individual company. Sometimes they sell a motor to another company to put in a tractor combine. We should be able to make the comparison in relation to the wholesale price of that machine.

Mr. PASCOE: Mr. Chairman, I think that most points regarding this inquiry have been brought out sufficiently and that there should be no need to repeat them, but I want to emphasize again the need for a full inquiry into this problem, and some very definite findings and recommendations. That is a definite obligation that we owe to our constituents after starting this inquiry, and I am sorry to hear some people express the opinion that we are not going to accomplish very much. I do not think we should start out with this attitude. There is certainly a great interest among the farmers. I will not take up too much time but, during the inquiry last session I, and other members, sent out two questionnaires to various farmers to indicate their thinking on this matter. I might read out some of the returns.

The second question was "please list what you consider to be the most important factors contributing to the increase of farm machinery prices." The answer was, from a farmer, first wages and freight rates, and, second, profit for the manufacturing companies, high cost of labour, and too many changes in designs.

These are all practical farmers, and I know them. Another one stated the factors to be excessive profit of the manufacturers, labour, high freight rates, and high duty on imports, while another stated them to be labour in

manufacturing, government tax, and price spread in comparison to what one bushel of wheat will purchase.

Now, Mr. Chairman, to indicate what farmers are thinking in regard to this, other members of the committee have referred to the fact that we should have individual dealers here. I think we should have individual practical farmers here to express their opinions. I think it should be brought out more clearly that this is a public inquiry and we should have as many people come here as possible. We should make an attempt to have meetings in big rooms and to have as many out here as possible. I notice there are not too many people from the press, and yet the press should be interested in this.

MR. KNOWLES: Mr. Chairman, as Mr. Pascoe has said, this subject is pretty well covered, but there are two points that I would like to back up because I think they were referred to the steering committee. The one was made by Mr. Mulligan. It is important that we hear the farm organizations, and I would like to have their point of view.

Another point that was raised was that if there had been inquiries carried on in the United States, Australia and other countries, the steering committee might find that out immediately; because if there is some valuable information for members, we would know the pitfalls and some of the things that we should avoid, and some of the things we should like to ask.

Those are the two points I would like to mention. I might say we, in eastern Canada, are interested also because many of my farmers are very diversified, and you will find that we have a full line of machinery for many purposes. People in fruit farming are probably in corn growing and in the haying business, and they have a full line of implements, including the combine. There is great duplication, and if any people need help, it is we in the east who need it just as much as the west. I know we should not be controversial, but I would like to stress that this is pretty important for all farmers in Canada.

MR. RAPP: Mr. Chairman, I am not going to repeat what has been said here regarding the importance of this meeting, but when I was home during the recess I was presented with a financial statement of the C.C.I.L. and I noticed with satisfaction that this cooperative company will appear and present a brief to this committee. My attention was directed to the fact that the C.C.I.L. has been in operation less than 10 years, and during this time they have done business to a value of approximately \$54 million. They were able to pay out dividends of somewhere around 11 per cent, or \$5,600,000, to their members. This 11 per cent was paid on top of what the company had actually paid in expenses. For instance, they have incurred losses of approximately 16 per cent in trade-ins. You are familiar with this trade-in business. On top of that they had allowed a discount to their members of approximately 13 per cent on bought machinery, when they paid cash for it. During this time they were still able to pay approximately 11 per cent on their purchases.

I would like to direct the attention of the committee to the fact that when this particular company appears as a witness, with a brief, we should not fail to ask questions because I think it is very interesting for us, when the Massey-Harris Company and this cooperative enterprise both appear here, to find out what is the actual difference between these two companies. One is able to allow its customers or members a big 13 per cent discount, after having incurred a loss of 16 per cent in their trade-ins, and still they were able to pay back such a high dividend.

That is all I wanted to say at the present time because I am sure all the rest of the members will wish to speak on other matters, and I concur with their views.

Mr. MILLIGAN: Mr. Chairman, I would like to endorse all that has been said and enlarge on what Mr. Webb said on dealer problems. The dealers are important members and it would be helpful to see some of these people. It might place them in an awkward position because of their situation, but we could hear them for the direction of the committee, sitting in camera. There are successful dealers in Ottawa who could give us general information on the problems they are faced with, when we are questioning some of the firms.

Mr. SMALLWOOD: I would like to mention that in western Canada we have a retail dealers association. We could contact those associations. There is one suggestion on bringing in practical farmers, but it seems to me, when I look around and see Mr. Knowles, Mr. Milligan, Mr. Horner, Mr. Rapp, Mr. Peters, Mr. Henderson and myself, that we are all practical farmers. This suggestion is more of an insult to this committee than anything else.

Mr. KINDT: By the way, I live on my farm also and I am a practical farmer. We raise more than 10,000 bushels of wheat every year. Now, in so far as being practical is concerned, I did not say that you were not practical, nor any other member of this committee when it comes to farming. But from a psychological point of view and its effect upon other farmers and their participation in the work of this committee, there should be representatives of good outstanding farmers brought in to give evidence to start the ball rolling in this committee. It would be straight from the horse's mouth, when we hear what the farmers think in this country about the price of machinery.

You cannot tell me that the press and those who write about this would not like to hear, first of all, not from members of parliament—because we are here to cross-examine,—but from people who are out there in the field, facing these costs of machinery problems. It is they we are working for. They are the bosses; we are the hired men, and we should bring them in here to tell us what their problems are and what their costs are with respect to machinery.

The point that the hon. member has brought up does not seem to be pertinent whatever. It is a fact that we are all farmers, myself included, but I do not feel that speaking here as a member of parliament is the same, in so far as the farmers of all of western Canada are concerned. We ought to bring in some of those people because, psychologically and with respect to good public relations, it is a thing that should be done.

Mr. HENDERSON: After that stirring speech, there is not much use in my saying this, but at home the tractors, to start with, are priced too high, and the boys who work them have to have a new one the next year. The patterns change and electric lighting is put on. Let me tell you about Firestone tires. I was in California and Nick Durman, who used to farm in the Peace River—I was standing outside one night when he came home, jumped out of the car and said "We have done it". I asked him "What have you done?" He said "We've struck". I said, "Why did you strike?" "We found out that Harvey Firestone made \$20 million last year, and we are going to get a piece of it." So I went home to bring this big Firestone tractor tire, and I guess they went out on strike. A farmer finds that when he has worked a tractor for a long time he gets tired of it and fed up with it. He does not think it is as good as that of the Jones, and he trades it in. All of us know that if one goes to any of the machine yards he finds that they are full of trade-ins. Those trade-ins all cost the farmer money. I know a couple of these machine guys who have made fortunes. There was one fellow I went to California with. He was in the Case business and made a fortune. Every farmer had a Case. He was one of the very fortunate people.

I am a farmer and have been farming for 50 years. We are big farmers. My boy is home now. He went to the southern states to see how they are growing cotton and different things like that. These young fellows get ideas into their

heads. He went down there and they showed him all over the place. When he came home he said, "This is the place for me, right in the Peace River country, the best farming place that God ever created."

Mr. CLERMONT: Being a new member here, I do not know the procedure, so I will ask a question and I will be told if I am wrong or right. I listened to the list of the manufacturers who are supposed to present briefs here and I did not notice that there is any for, say, dairy equipment or stable equipment. I have heard mention of combines, tractors and so on. For the eastern parts, and especially for Quebec, it is very important that the cost of stable equipment and dairy equipment should be considered. I do not know if the committee is empowered to look over that, but I think it is very important. Looking last week over the latest dominion statistics for Quebec, I see that it is one particular province that in 1960, according to the preliminary figures they have, will have about \$1 million less in income. I think it is the duty of this committee to look at the question of stable and dairy equipment.

Mr. HORNER (*Acadia*): I would like to say something about the bringing down of machine dealers. I think it would be a good idea. If we could get a representative of the machine dealers' association, either from one of the western provinces or from an eastern county, it would be helpful to the committee. Such a representative could explain the purchasing of parts, the amount that they have to keep on hand, whether the company reimburses the money, and so on. All this could be helpful.

With regard to the question of bringing in farmers, I think the main duty of the committee will be in cross-examining companies. The only real advantage of bringing in farmers would be to find out their views as to why the machine costs are so high. Practically every member who has spoken here has spoken on the question of machine costs and what he would like to see done in this regard. I think that practically every possible field is covered.

We should be proud, as a committee, that most of the members here are practical farmers and will certainly be capable of carrying on the cross-examination as to what the causes are for the costs of farm machinery. I see no real advantage in bringing in farmers to be interviewed by the committee. If this necessary, surely we can find a farmer already here and so spare the government the cost of bringing them into town.

The CHAIRMAN: Might I enlarge on that? As I look around over this committee, I see that practically every member attending the committee is actively engaged in farming. No doubt the other members who happen to be absent this morning are also engaged in farming. It is a pretty large committee and the number of practical farmers seems to be pretty well 100 per cent.

Mr. HENDERSON: Mr. Chairman, when you see a swather on a western farm, it has an engine on it. It used to be a swather with a pole, just like a binder. Now it has got to have an engine.

An hon. MEMBER: And self-propelled, too.

Mr. KINDT: I would like to see this committee kicked off as a committee to make an examination of the problems down at the grass roots. My thought in making my views known is to give that "grass roots" touch to the work of this committee. Some members seem to be confusing the fact that they are farmers and can talk for farmers. Sure, but we are cross-examining, and I think that if you had some good practical farmers brought in here, it would be valuable. Then this committee would not be something superficial or something up in the clouds, from which nothing would come.

We should start the work of this committee with a good examination and some talk and some public discussion and newspaper publicity. We should have actual bona fide farmers from four or five places across Canada. That would

create the feeling that this committee actually is coming to grips with the problem of the grass root farmers. If we look around we see that we have not got the proper perspective of public relations as to the way this committee should be discussing these problems.

Mr. SMALLWOOD: I never heard anything so ridiculous in my life. We have grass root farmers here. We may not be members of the wheat board, but we have grass root farmers, and they will be able to cross-examine those who come. I could pick them out on this committee.

Mr. MILLIGAN: I think we are going to spend a lot of time with farm organizations and farming groups. Surely they are the people who will formulate briefs and who will be expressing their opinions. I think it is the duty of members of parliament to ask questions when we meet these people. If we want any further information, members can get it from the farmers in their own areas. We can contact them and ask what we want to ask. It seems to me that we should not spend too long on the presentations from the farming organizations, because they will be of a general run, right through. If we spend too much time on the briefs, we may not get at the problem. It is really the farm machinery manufacturers we want to hear here.

The CHAIRMAN: Mr. Milligan, I hesitated to stop you in the earlier proceedings of this committee, when you submitted your resolution that farm organizations appear before the committee first. At this time we might go into that matter in a little more detail, as to who, in your opinion, should appear before this committee in the earlier stages.

Mr. FORBES: I wish to mention the point raised by Mr. Henderson, about farmers trying to keep up with the Joneses by buying new tractors. We know that the implement yards are full of used tractors. That is all true, but there is the cost of overhauling and repairing those tractors. Those costs are so high that it is more economical to trade the thing in than to try to fix it.

The CHAIRMAN: Mr. Milligan, would you care to elaborate any further on your suggestion?

Mr. MILLIGAN: In putting forward that motion, it seemed to me very important that we should hear from the farm organizations first. Their opinions would be of a general nature. From their briefs we might get some idea as to what those groups are thinking. That would help us in questioning the machinery dealers when they appear.

An hon. MEMBER: It seems to me that when we receive these briefs they are not going to be of much help. From my experience in being on farm organizations, I think that the information which the farm organizations will submit will be in general terms. I think we should hear them first.

Mr. RAPP: In the past, all of these committees were held along the same pattern as we have it here. Briefs were presented from those organizations with different views. As far as I am concerned personally, I created some interest when I suggested here one day that we should hear one side of the story one day and the other side of the story on another day. Those views were all of interest, and we were more or less broadening our own views on these things; so I am not exactly opposed to what Mr. Milligan said. I think the pattern which we had in the past here, so far as these organizations were concerned, under which they were invited here to present their views, was a good one. I think it was really educational and interesting in this way.

The CHAIRMAN: Members of the committee, I am just asking for suggestions at this time that might be helpful to your steering committee.

Mr. NASSERDEN: My thought is that the dealers association could have their officials present their views as an association. It might be good to have some individual dealers as well, if they are willing to come and appear. We could

have it on a voluntary basis. Some of them would not want to appear, regardless of whether they were invited or not. However, some of them might care to do so, because some of them feel that there are certain practices in the industry today that are not in their interests or in the interests of those who are using farm implements. Those people should have the opportunity to appear. That opportunity should be made known by way of advertising in the newspapers across the country, that this inquiry is open to them if they feel that they wish to come down. I do not think that it can be restricted to any particular time. It might be made known that they could come whenever it would be convenient for them. I know, from talking to dealers in my constituency, that they are not all satisfied with the agreements that they have with the companies. Most of them would hesitate to come out to an inquiry like this and say so, but there are a few of them who would take a chance on it.

Mr. HORNER (*Acadia*): Take a dealer who has just gone bankrupt—he would do it.

The CHAIRMAN: The retail farm dealers have indicated that they will appear before the committee. Their membership is pretty large in the province of Ontario. I am pretty sure there are other equipment dealers organizations that might wish to appear before us. I may say that the committee can summon anyone to appear. In the case of the Ontario organization, their president and vice-president, who are likely to be here before us, are equipment dealers themselves. They can be cross-examined on their own operations.

Mr. PASCOE: I want to see how much power this committee has. You say, Mr. Chairman, that this committee can summon witnesses. Can we ask for their records? Have we the power?

Mr. FORBES: Sure, read the terms of reference.

The CHAIRMAN: I just would not like to answer that question directly at the present time.

Mr. PASCOE: I think we should clarify that point at some time.

Mr. FORBES: I think that the terms of reference of the committee authorize the calling for papers and persons to give evidence.

The CHAIRMAN: Offhand, I would say that we had the power.

Mr. HENDERSON: That was in a broadcast I made this morning.

Mr. SOUTHAM: Mr. Chairman, this may be a little apart from the discussion. I was interested in a remark made by Mr. Clermont, the new member here, with respect to the dairy industry. We have heard a lot of reference to questions about combines, tractors and so on, but the dairy industry is a very important one to all of us. I just wonder if invitations have been sent to dairy equipment people such as Beatty Brothers and deLaval, who deal more or less exclusively in dairy implements. They are representative firms of long standing and I think we should send them an invitation to present a brief. It would be a very important matter for the dairy industry.

The CHAIRMAN: I will accept that if someone would suggest the names.

Mr. CLERMONT: The two names which were mentioned a moment ago are those of firms in eastern Canada.

Mr. SOUTHAM: They were deLaval and Beatty.

Mr. CLERMONT: I think Beatty is from Fergus and deLaval is from Peterborough.

The CHAIRMAN: There was mention of bringing in some dealer in stable equipment.

Mr. PASCOE: There is Beatty, and there must be others. This committee could make inquiries and see who could be invited to give evidence. There is Beatty and there is a firm named Jutras in Victoriaville, Quebec.

Mr. MILLIGAN: On reading over the names of the different people who are to present briefs here, it seems to me that there could be quite a duplication. We have the Canadian federation of agriculture presenting a brief. They represent the wheat growers in western Canada. Then there are the grain growing organizations, there are the different groups and there are the dairy farmers and all the federations within the province. It seems to me that these people should get together and put it all in one brief instead of coming individually. The farmers union could be included as well, because their thinking would be on the same line. Then they could bring in one brief and this would save a lot of time and would help very much in the problem with which we are dealing.

Mr. FORBES: That would be a good idea.

The CHAIRMAN: No doubt, these organizations will appear before us. If the committee does not get from the organizations the information that we desire, then we have power to call other organizations.

Mr. MILLIGAN: Yes, that would be so.

An hon. MEMBER: Or other manufacturers.

Mr. HORNER (*Acadia*): Perhaps the farmers union and the Canadian federation of agriculture would not like to submit a unitized brief. Each may prefer to submit its own brief. Perhaps we could hear those briefs on the same day and have both groups sitting before us and ask both of them questions on the same day. That would speed up the matter very much.

Mr. SMALLWOOD: Mr. Chairman, would you give some guidance on this matter? Will you include the farmers unions and the federation of agriculture?

Mr. MILLIGAN: I was thinking of the Canadian federation and the farmers unions. The Canadian federation covers a lot of the ground. The farmers unions would cover right across Canada and would be the voice of agriculture.

Mr. NASSERDEN: Mr. Chairman, there is one trouble that you would run into there. The federation and the farmers unions are on a national basis. Their brief will be so broad or so general that we will not get down to anything specific that would be of any value to us. I was not objecting to their coming here but I think I should make that general comment. It is not going to help us very much, actually, in preparing for the questions that we will want to ask anybody else who comes before us. And if you get the smaller farm organizations, they may come up with the same problem that has been regionally significant to them. You will be covering the country and the province, and thereby affecting the different phases of our industry across Canada.

Mr. MILLIGAN: The federation of agriculture will be composed of different representations and different groups across Canada, such as the three western wheat pools. The grain growers will be represented as well as representatives from each of the provinces. Therefore we would be in a position to question them, and they could offer suggestions, when they are here.

Mr. FORBES: Perhaps the clerk would be good enough to read the names of the organizations who have indicated a desire to come before the committee.

The CHAIRMAN: Very well. We will have it read again.

The CLERK OF THE COMMITTEE: The following are prepared to present a brief and send representatives to appear before the committee:

Massey-Ferguson Ltd., Saskatchewan Farmers Union, Ontario Retail Farm Equipment Dealers, Interprovincial Farm Union Council, Canadian Federation of Agriculture, Saskatchewan Wheat Pool, Canadian Labour Congress, International Harvester Company, The Canadian Co-operative Implements Ltd., Cockshutt Farm Equipment Limited, and the government of Saskatchewan.

The CHAIRMAN: These organizations may be bringing with them a lot of witnesses whom we will have an opportunity to cross-examine, or representatives of various branches of their organizations that are members. I am thinking of the federation of agriculture, which takes in quite a large membership, and I am thinking of various segments of agriculture which will no doubt come along with them.

Mr. KINDT: I am afraid that if we make just one brief do for all, like the federation of agriculture, we would be getting farther and farther away from the grass roots farmer. That is the point of difference between Mr. Smallwood and myself. If you are going to make it superficial and up in the clouds, you might just as well sweep it into the corner and forget about it entirely. I think we must get this thing down as close to the farmer as we possibly can. I think we should do everything that we possibly can with any means at our disposal.

Mr. HORNER (*Acadia*): Have all these groups been asked to come by the committee, or have they just presented their views?

The CHAIRMAN: They were contacted by letter. The clerk of the committee read the list of those who replied indicating a desire to come.

Mr. HORNER (*Acadia*): I noticed one implement company was not mentioned. I refer to John Deere Plow.

The CHAIRMAN: They declined to come.

Mr. HORNER (*Acadia*): Then I suggest on that particular basis we should ask them to come. If the company desires to have somebody here, they can have them here whether they want to come or not. I suggest that we have them, even though they do not wish to come.

Mr. MILLIGAN: You mentioned co-operatives of Ontario and the dairy farmers of Canada. There would be no limit to the number of organizations you could ask to come to present briefs. It is all right if these people want to come, but I think that if they want to bring in briefs, then others should have the opportunity to do so as well. Bu it will take a lot of time.

Mr. KINDT: There is a little difference. The people whose names have been read have indicated that they are willing to come. I do not know what the correspondence was between our former chairman and these various organizations. But if they have been asked, I think they should be encouraged to come and present their briefs.

The CHAIRMAN: This was done on a voluntary basis. First of all they were asked to come voluntarily. But we have the power to summon them if the committee so wishes. I would not suggest that we immediately start off in that vein. However, these are the ones who have indicated their desire to come.

Mr. KINDT: We do not want to shut them out.

The CHAIRMAN: No, definitely not.

Mr. SMALLWOOD: Nobody is trying to shut them out. We only want to get a joint presentation, if they are along the same idea. We want to get this thing going, otherwise it will last two or three years.

Mr. KNOWLES: As we proceed with it, if we find we need something else, we have the power to get it later at any time.

The CHAIRMAN: That is correct.

Mr. FORBES: If I understand it correctly, the John Deere Company are manufacturers solely in the United States. Allis-Chalmers-Rumley Ltd. are another, and so are Minneapolis-Moline. I think it is important that we have one of these companies appear, since they manufacture their goods in the United States and sell them in Canada.

Mr. KINDT: I do too.

The CHAIRMAN: You have a good point.

Mr. SOUTHAM: This follows my suggestion that dairy equipment be included.

The CHAIRMAN: Is there any further discussion this morning?

Mr. NASSERDEN: I move we adjourn.

The CHAIRMAN: It has been moved that we adjourn. We shall meet again on Friday morning at 9.30 in room 112-N, when we shall hear from the economics division.

HOUSE OF COMMONS

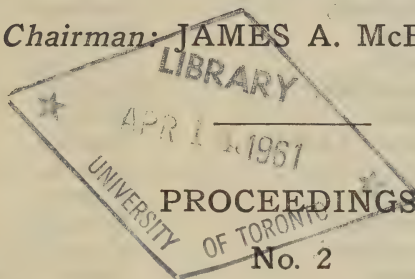
Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.



Respecting

PRICES OF FARM MACHINERY

FRIDAY, MARCH 24, 1961

From the *Department of Agriculture*: Dr. M. E. Andal, Chief of Productions, Economics Division; Mr. Gordon Haase, Officer in Charge, Economics Division, Edmonton, Alberta; Dr. K. W. Hill, Associate Director (Agronomy) Research Branch.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,
Vice-Chairman: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue,
Badanai,
Belzile,
Boulanger,
Brassard (*Lapointe*),
Brunsden,
Campbell (*Lambton-
Kent*),
Clancy,
Clermont,
Cooper,
Danforth,
Doucett,
Drouin,
Dubois,
Dupuis,
Fane,
Forbes,
Forgie,

Godin,
Gundlock,
Hales,
Hardie,
Henderson,
Hicks,
Horner (*Acadia*),
Howe,
Kindt,
Knowles,
Korchinski,
Latour,
Leduc,
McIntosh,
Michaud,
Milligan,
Montgomery,
Muir (*Lisgar*),
Nasserden,

Noble,
Pascoe,
Peters,
Phillips,
Racine,
Rapp,
Regnier,
Ricard,
Rogers,
Rompre,
Slogan,
Smith (*Lincoln*),
Southam,
Stefanson,
Tardif,
Thomas,
Thompson,
Tucker,
Villeneuve,
Webb—60.

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, March 24, 1961.

(3)

The Standing Committee on Agriculture and Colonization met at 9.35 a.m. this day. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Campbell (*Lambton-Kent*), Clancy, Clermont, Danforth, Doucett, Drouin, Dubois, Fane, Forbes, Hicks, Horner (*Acadia*), Howe, McBain, Montgomery, Muir (*Lisgar*), Nasserden, Racine, Rapp, Ricard, Rompre, Smith (*Lincoln*), Southam, Tardif, Thomas, Villeneuve and Webb.—27

In attendance: From the Department of Agriculture: Dr. M. E. Andal, Chief of Productions, Economics Division; Mr. Gordon Haase, Officer in Charge, Economics Division, Edmonton, Alberta; and Dr. K. W. Hill, Associate Director Agronomy, Research Branch.

The Clerk read the report of the meeting of the subcommittee on Agenda and Procedure which was held Tuesday, March 21st; (*See this day's proceedings*).

The Chairman introduced the witnesses to the Committee.

Dr. M. E. Andal reviewed the background for the booklet entitled—"A summary of statistics relative to the enquiry into the Price of Farm Machinery." which was the subject matter of today's meeting.

Mr. Gordon Haase then explained the booklet in detail.

Mr. Danforth, seconded by Mr. Horner (*Acadia*) moved that the Dominion Bureau of Statistics be asked to submit a written statement on how the figures used by the Economists in the booklet were obtained.

The witnesses agreed to obtain this information for the Committee.

Agreed,—that the booklet—"A summary of statistics relative to the enquiry into the price of farm Machinery." be printed as an appendix to today's proceedings; (*See Appendix "A"*).

The Chairman thanked the witnesses for their appearance.

At 11.00 a.m. the Committee adjourned until Friday, April 14th at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

PROCEEDINGS

FRIDAY, March 24, 1961.

The CHAIRMAN: Gentlemen, I see a quorum on hand. Our first item this morning will be the report of the subcommittee on agenda and procedure. I will ask Mr. Lyons to read that report.

The CLERK OF THE COMMITTEE:

TUESDAY, March 21, 1961.

A tentative schedule for appearance of witnesses was discussed and the following schedule agreed to:

- April 14 Friday —Canadian Federation of Agriculture.
- “ 17 Monday—Government of Saskatchewan.
- “ 21 Friday —Interprovincial Farm Union Council.
- “ 24 Monday—Saskatchewan Farmers Union.
- “ 28 Friday —Canadian Labour Congress.
- May 1 Monday—Massey-Ferguson.
- “ 5 Friday —Cockshutt Farm Equipment.
- “ 8 Monday—Ontario Retail Farm Implements.
- “ 12 Friday—International Harvesters.
- “ 15 Monday—Canadian Cooperative Implements Ltd.

(A copy will be distributed to Members of the Committee).

Agreed.—That the appearances of the Alberta Wheat Pool and the Saskatchewan Wheat Pool be deferred.

The Clerk was instructed to write to the pools asking them what information they proposed to offer on farm machinery prices.

Discussion of the appearance of companies concerned with the manufacture of dairy and barn machinery followed.

The Clerk was instructed to write to the leading companies concerned with this type of machinery and ask them if they were prepared to present briefs and/or send representatives to appear before this Committee.

The CHAIRMAN: Is there any discussion on that report?

Mr. MUIR (*Lisgar*): I understand we are all getting copies of that list.

The CHAIRMAN: That is correct.

Mr. FORBES: So you are not going to give us an extended Easter holiday?

Mr. THOMAS: Will there be further hearings after this? Does the chairman and the steering committee feel that this represents the number of groups that will be called to testify?

The CHAIRMAN: Mr. Lyons has referred to five additional machinery companies that are in the manufacture, more or less, of dairy equipment and stable equipment. I might read out these to the committee. They are the Pedlar People Limited, Messrs. Beatty Brothers, deLaval Company, Messrs. Babson Brothers Company (Canada) Limited, and Jutras Limited of Victoriaville, Quebec. We are not sure until we receive replies from these companies whether they desire to appear here or not.

Mr. DANFORTH: What is the procedure of the committee, if it happens that we are unable to finish with a witness or a brief on any particular day? Will there be extra meetings, or what is the procedure if we are unable to conclude a single presentation at a single meeting?

The CHAIRMAN: We will have to arrange for additional meetings; if not that day, then we will have to try and arrange for the next day so as not to hold witnesses over for an extended period of time.

Mr. DANFORTH: It is anticipated that we will not have to finish a brief within the normal sitting of one meeting?

The CHAIRMAN: I believe Mr. Lyons has arranged for the various rooms on these days, for an all-day sitting if necessary. We may have to sit while the House of Commons is sitting, to finish up a brief.

Mr. BOULANGER: Would it be possible to have the meetings in the afternoon? Many members go home at weekends and it is difficult to be here on Monday morning. To be here at 9.30 on Monday one would have to leave home on Sunday night. There are quite a few members in that position.

The CHAIRMAN: No doubt Mr. Boulanger and members will be here on Monday in the afternoon, and possibly in the evening.

Mr. BOULANGER: This document says 9.30.

The CHAIRMAN: That is the start of the meeting on Monday. We hope that will be an inducement for members to be back on Monday. We will be starting at 9.30 a.m.

Mr. BOULANGER: We will be back, but it is a question of being in here at 9.30 a.m.

Mr. DROUIN: I agree with Boulanger. There is a train coming into the station not later than 10.30 a.m., and one could arrange to be here for 10.30 a.m.

The CHAIRMAN: I think we would find it difficult to secure rooms on other days of the week. That is why the committee has decided to start on Monday morning. We realize that some members come from the east and would have difficulty in being in here early in the morning. If it is possible we might make the morning proceedings brief so that they could take part in the same proceedings later on in the day. Is there any further discussion? If not, I understand that the committee takes that report as read.

Gentlemen, this morning we have with us Dr. M. E. Andal, chief of productions, economics division, Department of Agriculture; Mr. Gordon Haase, officer in charge, economics division, Department of Agriculture, Edmonton, Alberta; and Dr. K. W. Hill, associate director of Agronomy, research branch, Department of Agriculture. In addition we have Mr. Ralph A. Stutt and Mr. Varge Gilchrist who are just appearing as observers, and whom you may desire to have as witnesses.

You will recall that the committee instructed the economics branch to prepare a booklet—which I believe you all have in your hands, in both languages. We are very fortunate to have prepared the copies in the French language and they are available for you this morning.

Also, we have an interpreter on hand this morning; should you desire to ask questions in French you may do so.

At this time I will call on Dr. Andal who may wish to explain just how this little booklet was prepared. I will call on Mr. Haase later to review the booklet before you.

Dr. M. E. ANDAL (*Chief of Productions, Economics Division, Department of Agriculture*): Mr. Chairman, as you indicated, last year the committee asked that a booklet be prepared giving the background statistical information that would be helpful to the committee.

The economics division of the Department of Agriculture was asked to prepare this material and to cover four topics. One was to indicate the rise in farm machinery prices in relation to changes in prices of other machinery products. The second topic was to show costs of machinery operation, and to show the cost in relation to other farm costs. The third point was to give an indication of the value of machinery on farms, and this was done on a per acre basis since the acreage varies over the years. The final point to be covered was to give an indication of Canadian production of farm machinery, and the sales of that machinery both in Canada and other countries, and also to show the source of Canadian sales, that is, the sales of machinery in Canada which come from Canadian production, as well as the amount which comes from other countries.

These, then, are the points covered in the report which we have to present to you today. The committee indicated that this material should be available on a regional basis for different parts of the country, and that it should cover a period of about 15 years. That has been done in this report.

These statistics are taken from the dominion bureau of statistics and an acknowledgment is made of the assistance provided by the agricultural division, and by the prices division of that bureau, in the compilation of this report.

Mr. Gordon Haase, who is head of the economics division, in Alberta, prepared this report and he is now ready to present it to you.

The CHAIRMAN: Thank you very much, Dr. Andal. I believe Mr. Haase has done a tremendous amount of work in preparing this report. So I think we should hear from Mr. Haase. Possibly you would like to go over the report. We will probably entertain questions as we go along. This might brighten up the proceedings here this morning.

Mr. DANFORTH: Before Mr. Haase starts,—I cannot anticipate his report, of course,—would it be possible for him to indicate how the figures were obtained? I am very interested in knowing the manner in which the various figures were obtained, in order that we may have some idea of exactly how stable and authentic the report may be.

I am particularly interested to know whether the figures were given on a voluntary basis. You speak of machinery on farms. I would like to know whether questionnaires were sent out to a representative group of farmers to obtain these figures, and I would like to know whether or not the machinery companies were asked periodically to submit prices, wholesale or retail.

I think the committee would be very interested if you might possibly give us a general background of the method by which the figures were obtained for the basis of this report.

Just to say "dominion bureau of statistics" gives only a general picture. I wonder if something cannot be done to bring it a little more down to the factual level, so that we may ascertain how these figures were obtained.

Mr. Gordon HAASE (*Officer in Charge, Economics Division, Department of Agriculture, Edmonton, Alberta*): Mr. Chairman, this is a question of going beneath the official figures published by the dominion bureau of statistics and this is a thing which we did not do. The procedures which the bureau follow in the collection of these statistics, I presume, would be a matter which they might explain, but which, I am afraid, I am not prepared to do.

Mr. DANFORTH: I am completely satisfied with the answer, provided we know that that was the basis of the report. That was the point of my question; to know where and when these figures were obtained.

Mr. HAASE: Yes. These are official figures published by the dominion bureau of statistics, and the source of these statistics in the various tables is indicated to be that.

The CHAIRMAN: Before we go into the brief further, is it the wish of the committee that the whole report be made an appendix to our proceedings today? I think it would be advisable to have it as part of our proceedings. Is that agreeable to the committee, then?

Agreed.

(See Appendix A)

Will you please carry on Mr. Haase?

Mr. HAASE: Thank you. If I may presume to read, word for word at the beginning here, it is to explain somewhat more fully what is involved in the index numbers, particularly, that we have used in dealing with this information. It is customary to describe the general economic situation in terms of the index number. This is what we have done. So, if I might, I would like to read this first section into the record as a description of what will follow:

The data presented in this section show the general trend of price movements in Canada for the period 1939 to 1959. They consist of four sets of index numbers. These are: the general wholesale price index, the index of farm prices of agricultural products, the index of prices of commodities and services used by farmers and the farm machinery farm price index. The base period in each instance is 1935-1939=100.

The general wholesale price index is a combined index of eight major group indexes.¹ These chief component material groups are vegetable products; animal products; fibres, textiles and textile products; wood, wood products and paper; iron and its products; non-ferrous metals (including gold); non-metallic minerals; and chemicals and allied products.

The purpose of this index is to attempt to show the general level of all prices in the country. It is an average, weighted measure of the general level of all prices.

The index of farm prices of agricultural products shows price changes of field and animal products sold by farmers. This index is based on prices for about 50 farm products which contributed approximately 90 per cent of the total cash income received by farmers from the sale of farm products during the base period. The index of prices of commodities and services used by farmers is a composite index and consists of three parts, i.e. (1) equipment and materials (farm machinery; building materials; gasoline, oil and grease; feed; fertilizer; binder twine; seed, and hardware). (2) taxes and interest rates, and (3) farm wage rates. Retail prices are used for the equipment and materials index. One of the components of the index is the farm machinery and equipment group for which a sub-index is calculated. A selection of the machinery and equipment used on Canadian farms the relative importance of the various kinds and types used by farmers. The index is a "price" index and expresses current prices as a percentage of prices in 1935-39. It is a measure of the impact of price change on the cost of purchasing a fixed quantity and quality of machinery and equipment.

The general tendency of various prices which are shown by these statistics is of relevance to this inquiry. The general wholesale price index is a measure of the trend of all prices. This index, (Chart 1 and Table 1) shows an upward tendency of prices throughout the period under review, with a peak in 1951 from which prices declined until about 1954 and then resumed an upward movement.

While there is a tendency of all prices to move in a manner of the general price level, it is also a characteristic of the prices of certain goods to move both earlier and further than the average, and at the same time the prices of other goods can be seen to move more slowly and sometimes by smaller amounts than the general level of prices. Thus it may be seen from chart 1 that the index of the prices of a group of commodities and services which farmers use

in their business, i.e. the composite farm index (exclusive of farm living costs), rose in about the same manner as the general level of all prices until about 1951. Since that time, however, the composite farm index of farm costs has risen by a greater extent and now stands substantially above the average level of the index of wholesale prices. At the same time the index of the prices of farm products rose faster than both prices in general and farm costs until 1951 and has fallen relatively further since that time. When prices of farm products are compared with the prices of things that farmers buy, the relative purchasing power of farm products in terms of these requirements is obtained. When both these groups of prices move in the same direction and at the same rate the purchasing power of farm products is not affected to any degree. However, when farm product prices rise relative to the cost of things that farmers buy, the purchasing power of these farm products is accordingly increased. On the other hand, with the prices of farm products falling relative to the prices of commodities and services which farmers buy, their purchasing power correspondingly declines. Reference to Chart 1 and the data upon which it is based indicates that this situation has prevailed in Canada since about 1951.

Of immediate interest to this inquiry, chart 1 also shows that while farm machinery prices have risen throughout the period under review, they have risen by a smaller amount than the prices of some of the other commodities shown. Thus the prices of farm machinery increased more slowly than the general level of all prices over the period 1939-1957, but since 1957 this group of prices increase relatively more than the general price level. At the same time the index of the prices of the commodities and services which farmers use, i.e. the composite farm index and which includes the prices of farm machinery, rose by a greater amount than the prices of farm machinery alone. Since about 1952, however, the prices of farm machinery including the other items farmers use have tended to increase more rapidly than the composite farm cost index. Finally, throughout the period 1939-1951 the index of the prices of farm products rose considerably faster than the prices of the commodities and services which farmers use and the prices of farm machinery in particular. Throughout this 12-year period the purchasing power of farm products in terms of these other items including machinery was correspondingly increased. However as chart 1 shows the price of farm products declined drastically from 1951-1955, and their purchasing power declined accordingly since the index of farm costs, including machinery prices, continued to rise. Since 1955, the rise in the index of farm product prices has been less than the rise in the composite farm costs index and less than the index of farm machinery prices in particular. This resulted in a continued and further decline in purchasing power of farm products.

Mr. DANFORTH: I notice we have a full agenda and perhaps it is not possible to have more witnesses in front of the committee. I am wondering if it would be possible to have from the bureau of statistics, agricultural branch, a written submission as to the mechanics and the manner in which these basic figures were obtained. I think this would give us a basis for this report.

The CHAIRMAN: Would that be possible?

Mr. HAASE: I am sure it would.

Mr. DANFORTH: I am sure it would lend a lot of credence to this report if we had a submission as to the mechanics by which this was obtained. The whole report is based on these figures.

The CHAIRMAN: Perhaps we might have this available for our first meeting after the Easter recess.

Mr. BOULANGER (*Interpretation*): I see no real necessity for statisticians and economists appearing before this committee to tell this committee how these figures have been obtained.

Mr. NASSERDEN: I think it is very important that this be established right at the outset. This is a very important inquiry. A number of people will be quoting from it. We want to be very sure that everything that is quoted is based on something that is solid and factual.

Mr. TARDIF: Is it possible that this committee does not believe that what has been compiled here is factual.

Mr. DANFORTH: I am asking that the bureau of statistics submit to us a written report as to the mechanics by which these figures were prepared. I am not casting any aspersions, but I want to be sure in my own mind as to how these figures were obtained and that they do represent the picture that is portrayed.

Mr. TARDIF: If the persons who prepared these figures are efficient—and I am sure they are—they must have been prepared from the best source.

Mr. DANFORTH: If you were on a farm like some of us, you might have some doubt too.

Mr. HORNER (*Acadia*): I think Mr. Danforth's suggestion is a very good one. Very few people who will be reading this report will have any knowledge as to how the figures are obtained. Of course they realize they are dominion bureau of statistics figures, but I think the whole report will be founded upon these figures and they will act as a base for discussion. I think Mr. Danforth's suggestion that we obtain a statement as to how these figures are obtained is a very good one, because then it will be in the record as to where we start from. I wholeheartedly support the suggestion.

Mr. BOULANGER (*Interpretation*): I have no objection to a written submission, but I would object most strenuously to taking up the time of two or three meetings in explaining how these figures are obtained.

Mr. DANFORTH: A written submission is all we have asked for.

Mr. MUIR (*Lisgar*): I think it is important that we know the source. No one is questioning the ability of the people in the dominion bureau of statistics; but as a group which will be investigating these prices, I think it is only right we should know on what the prices are based. There is no point in our going ahead with this thing in ignorance of how this information is gathered. It would be senseless. A simple statement from the bureau of statistics is all we need.

Mr. FANE: I just want to support Mr. Danforth's request for this statement, because the farmers whom we represent will be asking us where the figures were obtained and how.

I would like to know whether the Dominion bureau of statistics obtained these figures from machinery companies; if not, I would like to know where they secured them. I must say that the farmers nowadays are not people who do not know what they are doing. They are well informed and able people. They are businessmen today. It is not the misfits who go onto the farms, stay there and make a success. These people are farming because they want to farm. As I say, they are businessmen who know what the score is. It is our duty to show them where we get our information and so on.

Mr. HORNER (*Acadia*): Mr. Chairman, I do not know whether it is your wish to allow questions to be asked in connection with the breakdown of this as we proceed. I have one question to ask in connection with Mr. Haase's last statement, in that in a sense the farm machinery prices have risen quite sharply in comparison with other commodities a farmer must purchase. Could Mr. Haase give his views as to whether or not this is just cause for this inquiry?

Mr. HAASE: I would not presume to put an opinion on the record in that regard.

Mr. MUIR (*Lisgar*): Mr. Chairman, I have a supplementary question on that.

The CHAIRMAN: Proceed.

Mr. MUIR (*Lisgar*): I note that in the early period of which you spoke, machinery prices had not kept advancing as quickly as the other commodities. Would you say that the later advance has brought the machinery prices over the level of the other commodity prices, or just up to them?

Mr. HAASE: I do not think one can say that one way or the other. The use of this index is based on starting them all together for the base period 1935 to 1939. The trend of these indices shows from that time forward, how the relationship has changed since then. We commenced here with the prices of machinery and all other prices in the period 1935 to 1939, and then traced the changes since that time. If one group has risen faster than the other, then the line appears higher on the chart. However, all the index shows now is the relationship today compared with what the relationship was in 1935 to 1939.

Mr. FORBES: May I ask if these figures are based on the Dominion of Canada, and are they a broad rather than a regional estimate?

Mr. HAASE: They are built up from regional data, and throughout the report the data is shown by provinces.

Mr. FORBES: If I may say so, those in western Canada are quite suspicious of that weighted average. My point is this: They are using the income of farmers in association with the index for the cost of machinery. Am I right in that? If I am correct in saying that, then that would differ very widely in various regions and your weighted average would not give a true picture in any particular region.

Mr. HORNER (*Acadia*): No, but they give a picture encompassing all of Canada.

Mr. DANFORTH: It would be impossible to get it on a regional basis?

Mr. FORBES: I am beginning to wonder if this is a course of action we should have followed in the first place.

The CHAIRMAN: If there are no further questions I would ask Mr. Haase to proceed. May I explain why I asked to have this put in as an appendix. These officials have been brought here to explain the brief and, in order to save time, I suggested that we make it an appendix, and then we could allow them to elaborate on any particular part of it.

Would you proceed with page 7—the farm income situation in Canada?

Mr. DANFORTH: Mr. Chairman, I have a general question to ask Mr. Haase, which is based on the work he has done. Mr. Haase, I know that you and your associates, in compiling this report, must have been involved in a tremendous amount of work. Within the terms of reference, is it the feeling of your associates that the terms of reference were broad enough that we have been able to obtain in this report the comparative picture for which we are asking?

Mr. HAASE: Yes. This is our understanding of both the terms of reference and this material.

Mr. DANFORTH: But my question is whether you feel the terms of reference are broad enough to give us this picture for which we are looking. This is a general question, and I am not trying to pin you down. However, we do wish to know. We are very determined, as a committee, to get this picture and I am just asking if you and your associates do feel that within the terms of reference it has been possible to design such a picture for us.

Mr. HAASE: Our understanding of the terms of reference was that we were to describe the general agricultural situation of our outline, in sufficient outline so that farm machinery prices might be fitted into the context.

Mr. DANFORTH: Then, thereby give us the complete picture.

Mr. HAASE: Yes. Then, dealing with the farm income situation in Canada, we say that a presentation of the general income situation on Canadian farms may be helpful for an understanding of the effects of the movements of the prices of particular cost items. The changes in the prices of farm products and in the prices of commodities and services which farmers use have been described. These changes are now translated into the over-all income situation of farm costs and net returns for the farms in Canada and each of the provinces. In the following charts the gross farm income for all the farms in Canada and for the farms in each province is shown for the years 1946-1959. The cash operating expenses and non-cash farm expenses, mainly depreciation, are subtracted from gross returns to obtain net farm income. Examination of Chart 2(a) suggests that since about 1948 gross farm income in Canada has tended to remain comparatively stable given the expected short term ups and downs of which the increases in 1951-1952 were larger than usual. At the same time farm expenses, both cash and non-cash, have tended to increase consistently throughout the period and this is depicted by a consistent widening of the space between gross and net farm income. The result has been that net farm income has tended to decline over the period 1948-1959, again with the expected short run ups and downs of which the increase in 1951 was larger than usual.

This pressure on net farm income is regarded as the result of the so-called cost-price squeeze in agriculture. The behavior of certain farm prices was examined in Chart 1 and the results of these price movements can be interpreted in terms of their final effects upon total farm income and expenses. This is due to the fact that the farm operator in the course of his business can and does adjust to price changes by reducing his expenditures on high cost items and substituting other items which are relatively cheaper. Furthermore, technological advances permit increases in efficiency. Thus, it can be noted that total farm expenses have not increased to the same extent as some of the prices of individual commodities that farmers buy. At the same time it should be noted that the increase in farm expenses, both cash and non-cash, has been the result of an increase to some extent in the prices of all things that farmers use, although the prices of these commodities have not all risen at the same rate. It should also be noted that this changing relationship of farm income and expense has had different effects in each province, reflecting the particular types of farming that are practised.

The following portion of our summary is mainly statistical. It shows charts, and the data on which the charts are based for Canada as a whole and then, for each province.

Mr. HORNER (*Acadia*): Could Mr. Haase explain one point? We all have some idea of net farm income and non-cash expenses, but what would be included in the term "cash expenses"?

Mr. HAASE: Mr. Chairman, these are statistics which have been secured from the dominion bureau of statistics and the cash expenses to which Mr. Horner refers are as follows: interest on indebtedness, seed and feed purchases, tractor expenses, truck expenses, automobile expenses, or rather that portion of automobile expenses which is due to farm business, engine and combine costs, machinery repairs, fertilizer for agricultural land, food and beef supplies, building repairs, electrical power and a miscellaneous item. Added to these are expenditures for hired labour.

Mr. FORBES: What do you classify as non-cash expenses?

Mr. HAASE: Mainly depreciation on machinery and farm buildings.

Mr. DANFORTH: In your brief you state that farm expenses, both cash and non-cash, have tended to increase consistently. With reference to non-cash expenses, covering depreciation on farm buildings and on machinery, do we

anticipate the increase there is due to the farmers buying more expensive machinery and putting up more expensive buildings?

Mr. HAASE: Not directly. All it implies is that there is more investment in machinery and buildings on farms.

Mr. MONTGOMERY: Is there any distinction made between the residences and barns? When you speak of farm buildings, are you referring to all buildings? I believe our difficulty is due to the fact that we do not know how the dominion bureau of statistics drew up these figures. When I return to my constituency these figures will not tell the farmer very much. He will say: "how did they get these figures. They do not apply here". That is the trouble.

Mr. HORNER (*Acadia*): In a generalizing statement, Mr. Haase, would you say that cash expenses vary according to the intensification of farming carried out in the various provinces?

Mr. HAASE: Oh, yes.

The CHAIRMAN: If there are no further questions, I shall ask Mr. Haase to continue.

Mr. HAASE: Having examined the general situation of farm prices and farm income in Canada, it is now possible to look more specifically at the effect of rising farm machinery prices upon farm economy. Cash farm expenses include the current costs of operating farm machinery, and non-cash farm expenses include depreciation on farm equipment. These farm machinery expenses are shown in charts 3 (a) and 3 (b). The tendency of these costs has been to rise over the period 1946 to 1959 in each province of Canada. Cash and non-cash farm machinery costs are shown on a per acre basis and I might say, Mr. Chairman, the reason for showing these costs on a per acre basis is that the alternative is to show them on a per farm basis and, as the size of farms in this country has been increasing over the past period of years, there is an element of increased machinery costs and total costs per farm. That is associated with the increased farm size and has nothing to do in itself with the prices of these items, and that is why it is reduced to a per acre basis for these calculations.

Mr. BOULANGER (*Interpretation*): I should like to put a question for the purposes of elucidation. What are we to understand by the word "acre"? Does it mean an acre that can be cultivated or does it mean pasture land, wood lots and things like that?

Mr. HAASE: The acreage figures used in this table are total acreages of crops, plus summer fallow, and do not include improved pasture.

Mr. VILLENEUVE: Tillable soil?

Mr. HAASE: With the improved pasture left out.

Mr. HORNER (*Acadia*): Improved pasture would include brome-grass and so on?

Mr. HAASE: Yes, that is left out of these calculations.

Machinery efficiency over the period under review has been increasing at the same time that prices have been rising. If the efficiency of a machine in terms of number of acres it will handle rises at the same rate as the price of the machine, then the farmer's machinery costs per acre operated would not be greatly affected. It is only when the price of machinery rises faster than its efficiency in farm use that a real machinery cost increase is realized. However, machinery is used with other farm resources such as land and labor, and the increased use of machinery has to some extent replaced labor. Thus, some increase in machinery cost per acre can occur without a corresponding rise in the total costs per acre. It is recognized that not all of the machinery and equipment is used for crop production and that the proportion of these to the total varies considerably between provinces. Costs of such equipment are not related particularly to acreages and this would affect the cost per acre com-

parisons between provinces. However, since much of the machinery and equipment is used for crop production it was considered useful to show the costs on a per acre basis.

Two significant aspects of machinery costs in Canada are evident in chart 3. In the first place the rise in machinery costs per acre in Canada has been significant over the period, but at the same time, in relation to the rise in prices of other commodities and services used by farmers, it has been moderate. In the second place there are wide differences between provinces in the extent to which this cost increase has taken place. Thus, although in the prairie provinces the costs have more than doubled, they have now risen as much as elsewhere. In the central provinces the increase has been more substantial while in Nova Scotia and British Columbia the increase has been extreme. To some extent these differences represent a situation where a considerable amount of mechanization had taken place in the prairie provinces before 1946 and consequently the increase in machinery costs has not been as great since that time. It also, however, reflects changes in farm organization that have taken place in certain regions which have had the effect of counteracting the effects of increased costs on individual farms. Thus, in the prairie areas particularly, increases in sizes of farms tended to reduce per acre costs. This is particularly true in the case of machinery use which is generally more efficient on larger units. The greatly increased expenditures per farm for machinery are a result of increased farm size as well as of increased per acre costs.

Differences in costs per acre between regions reflects differences in the types of farming that are practised in these areas. In the prairie areas, for example, an extensive type of agriculture is generally practised, and costs and returns per acre are lower than in many other regions where agriculture is more intensively practised. There are differences, too, in the proportion of total costs represented by machinery costs. The relative impact of increased machinery costs on incomes of farmers between regions is therefore not necessarily directly related to the level of per acre costs or to the size of the increase since 1946.

On that point I made some additional calculations to show the relative importance of machinery costs in comparison with total farm costs in different regions. In general, the situation would be this: for the recent period, 1955 to 1959, in the prairie provinces, machinery costs comprise from 50 to 55 per cent of total farm expenses. In the central provinces and British Columbia, Nova Scotia and New Brunswick, machinery costs represent only between 20 and 25 per cent, and in Prince Edward Island the situation is similar but a little higher, between 25 and 30 per cent. This is the relative importance of machinery costs in relation to total costs.

MR. RAPP: You said 55 per cent for the prairie provinces? Is that the average?

MR. HAASE: That is the average for all the farms for the four-year period for the three prairie provinces.

MR. DANFORTH: May I ask a question for clarification? Am I to understand the significance of the 29 and 30 per cent? In your calculations here, if the efficiency of machinery has increased correspondingly with the increase in price, then we feel there is no increase in the cost of machinery.

MR. HAASE: There would be no increase in the cost of machinery, but when you look at this on a per acre basis, and you see a rise in cost per acre, then this is evidence that the price has risen faster than efficiency. If your efficiency were to double and the number of acres were to double, then if the price of machinery doubled, the per acre basis would be the same.

MR. DANFORTH: I can understand that when you have continued larger acreage; but what I question is what happens to the farmer when he is only

able to have a limited acreage but must, because of the type of machinery, buy machines with increased efficiency?

Mr. HAASE: He falls outside the class I was talking about; he is not able to take full advantage of the efficiency of machines.

Mr. DANFORTH: Perhaps it does represent a marked increase in the cost of machinery, but that is outside the scope of the farmer in this report.

Mr. HAASE: It is outside the generalization I made at that particular point.

Mr. HORNER (*Acadia*): Would it not affect the cost of machinery per acre and the efficiency, if the efficiency is kept up with the cost? Would you not have to take into consideration what that acreage is producing in relation to the fluctuation of intensified production, particularly on the graph on page 32, that the cost of machinery in Manitoba, particularly, has sharply risen in comparison to the prairie provinces? It seems to me that this could come about because of the greater intensification in that province of farming methods and production. In making a full analysis of its efficiency, would you not have to take into consideration what that acre is producing?

Mr. HAASE: I do not presume to analyze efficiency. What I was doing was harkening back to this per acre calculation.

Mr. HORNER (*Acadia*): My question follows up the statement you made to Mr. Danforth, that the cost would remain the same if the acreage increased with the cost of the machinery. While this may be true as to efficiency—you used the word "efficiency" there—it would have to depend on what that acreage would be producing.

Mr. HAASE: It presumes that the comparison is within one kind of farming.

The CHAIRMAN: These gentlemen appearing before us this morning will be available to appear again. They are standing by at any time. I imagine they will be here quite frequently, perhaps not as witnesses all the time, but just sitting in on the proceedings.

Mr. MUIR (*Lisgar*): I think it is a good idea to have the report attached.

The reporters are taking this down. Is there any reason why we should attach this thing, with printing costs so high and so on?

The CHAIRMAN: It is brought in here to get these charts down. That is why I suggest we attach it to these proceedings, to make the charts available.

Mr. THOMAS: In regard to depreciation, and the computing of amounts of depreciation on farm machinery, could you give us the list of the rate of depreciation applied to each class of machinery?

Mr. HAASE: No, I cannot. This would be a matter of going beneath the official statistics of the bureau, which I think it would not be appropriate for me to do.

Mr. THOMAS: Have you any idea how it is arrived at?

Mr. HAASE: A general idea. I would say that the basis of depreciation would be the same over the period, so that if you did see an increase in the allowance for depreciation this would not reflect changes in calculations. This would be a real rise over the period.

Mr. THOMAS: I know that for income tax purposes a certain schedule of depreciation is set up by the income tax authorities.

Mr. HAASE: Yes.

Mr. THOMAS: It would be reasonable to suppose, then, that possibly the D.B.S. uses the same rate of depreciation.

Mr. HAASE: No, I would not think so. The depreciation allowance in the Income Tax Act is a matter of law; the depreciation in the calculation of farm costs is a matter of economics.

Mr. THOMAS: Do you think it is very important that we should have the rates that are used in these calculations?

Mr. HAASE: It can be obtained, I am sure.

Mr. NASSERDEN: I think it would be a very good suggestion. Why do you think improvement in grassland should not be included in the cultivated acreages for the purpose of that report?

Mr. HAASE: I have no reason for leaving it out except that the calculation was facilitated by so doing. There was an unbroken series of the other acreages and this is what I used.

Mr. NASSERDEN: Does it cast an inaccurate position in so far as machinery costs are concerned on many farms in Canada?

Mr. HAASE: Yes. I believe that in some cases the figures for improved pasture are not available. If not, it was not possible to construct the full series over the full period.

Mr. NASSERDEN: I think that particularly down here in Ontario, in parts of Quebec and in parts of the maritimes, like Prince Edward Island, you would not have much of a report if you did not have them, as far as machinery costs are concerned.

Mr. BOULANGER (*Interpretation*): In so far as operating costs of machinery are concerned, are the operating costs of pleasure cars, trucks and so on included?

Mr. HAASE: No.

Mr. TARDIF: There are some farmers in Canada who use planes for supervising their land and so on. Was that taken into consideration in obtaining the calculation of the average that was reached?

Mr. HAASE: That I do not know.

Mr. NASSERDEN: About this matter of grassland being included in cultivated acreage: I think it is important because in recent years there has been quite a turn to silage equipment of a mechanical nature, and to a highly mechanized type of equipment for grassland farming.

So unless you have the acreage seeded to crops that they harvest with this machinery, you are going to have a very inaccurate calculation.

Mr. HAASE: I would say that while the acreages have been left out, the costs of operating machinery are included, so to that extent the total cost of the farming operation of these provinces is relevant. This recognizes, of course, that the per acre calculation, as it has been maintained throughout the whole comparison, may not be as revealing in the case of one province as it is in the case of another region under a different type of farming.

Mr. NASSERDEN: That is exactly the point I am getting at, because any comparison between one province and another is not accurate.

Mr. HAASE: I would say this: that this is an example of an instance in which comparisons between provinces may not be fully drawn from this date.

Mr. HORNER (*Acadia*): My first question stems out of the question asked by Mr. Nasserden. That is why I wanted to make it clear as to the progress of cultivation, because in the crop books of western Canada cultivated tame hays are considered cultivated grass, while in these graphs they are not.

Mr. HAASE: I think we could have considered them as cultivated acreage. It is a statistical problem. But I am not able to get an estimate of the tame hays, and to know whether or not they have been included in the series.

The alternative would be to have field crops and summerfallow in some of the years, and only in certain years could the tame hays be put in. But it would destroy the continuity of the comparison.

Mr. HORNER (*Acadia*): The point I want to make is this: in this case is it agreed that perhaps hay crops have been on the increase on the prairies to some

extent in recent years? I am thinking of my own province, Alberta, particularly, which is considered now as a mixed farming province. We have a lot of live-stock to raise, and we have cultivated pastures as well, particularly in the irrigated areas.

Would not your grass here tend to rise over the past few years, because to a certain extent this is cultivated grass? But under this term there may be a somewhat smaller grass acreage increase?

Mr. HAASE: Yes. To the extent that there is a rising trend in a cultivated grass crop, that is so. But that has been left out of the comparison. Your conclusion would seem to me to be correct.

Mr. HORNER (*Acadia*): I have one other question. It deals with a statement you made on page 30, referring to the extent of mechanization in the prairie provinces in comparison with other provinces. It is at about the middle of page 30, and it reads as follows:

To some extent these differences represent a situation where a considerable amount of mechanization had taken place in the prairie provinces before 1946 and consequently the increase in machinery costs has not been as great since that time.

While I realize this is true, I still think there has been a considerable changeover in farm machinery in the prairie provinces since 1946. This may not make as big a difference, possibly, as you suggest.

Mr. HAASE: Yes. I did not suggest it has made a great difference. I mentioned the point. But I think you anticipate the next section, Mr. Chairman, which is on the matter of overall investment in farm machinery.

Mr. DUBOIS (*Interpretation*): Is machinery used in dairy production included in the graph we have here?

Mr. HAASE: Yes.

Mr. DROUIN (*After speaking in French, not interpreted, continued in English*): In the north part of my riding farming is difficult as there is a great deal of rock. They have to buy small bulldozers. The bulldozer blade is taxable at eleven per cent. The plow is clear of tax, but the wheel to control the plow is taxed.

(*Interpretation*): Do you not feel that all such machinery used in agriculture should be tax exempt so as to reduce the cost?

Mr. HAASE: Well, I would have no feelings on the matter; but I would say certainly if it were all tax exempt that would reduce the cost.

Mr. BOULANGER (*Interpretation*): In so far as acreage is concerned I wonder whether it would be a good idea to request the department of agriculture to break down these figures of acreage per province as to cultivated land, pasture land and uncultivated land, so that we would have this for purposes of comparison.

Mr. HAASE: I think that information might be obtained within a fairly short time.

Mr. BOULANGER (*Interpretation*): We could have it, for instance, for 1956 and would be able to determine whether the number of cultivated acres in Saskatchewan, for example, has increased.

The CHAIRMAN: Possibly Mr. Haase might include that information along with the other information for our next meeting after the Easter recess.

Mr. FANE: I would like to ask Mr. Haase if the acreage was obtained from the permit books in western Canada or from bureau of statistics information.

Mr. HAASE: It is bureau of statistics data which we have in this regard

Mr. FANE: Does the bureau of statistics obtain its information from that contained in the permit book.

Mr. HAASE: I do not know.

Mr. NASSERDEN: Would you please find that out. I also would like to ascertain whether they included the acreage seeded to grass. I ask this question because I see that they enter it in the book as cultivated acreage in western Canada.

The CHAIRMAN: We will obtain that information for you.

Would you proceed with page 44 Mr. Haase.

Mr. HAASE: Speaking of the investment in farm machinery and implements in Canada, we say that the total value of machinery on farms is examined in this section to show the amount of investment or overhead that it represents on the farms of Canada. This machinery investment is again shown on a per acre basis since the crop and summerfallow acreages have also increased over the period under review. In terms of machinery overhead on Canadian farms, two significant aspects may be observed from Chart 4. In the first place for the country as a whole the machinery overhead per acre has tended to remain fairly constant since 1951. At the same time there are again wide regional differences in the amount of machinery overhead required in different parts of the country. Thus, in the prairie provinces machinery overhead actually has declined over recent years. This again reflects changes in farm organization and machinery use which are taking place in this area. The central provinces and the maritimes on the other hand, show consistent and significant increases in machinery investment per acre over the whole period under review, while the increases in British Columbia particularly before 1954 have been extreme. This also indicates that mechanization developed at different times in the various regions. Fluctuations in incomes also have an effect on the timing and extent of machinery purchases.

The CHAIRMAN: Are there any questions on this page?

Mr. MUIR (*Lisgar*): Mr. Chairman, as we have only fifteen minutes remaining, perhaps we should allow Mr. Haase to finish the brief. I note that there is only a short paragraph left.

The CHAIRMAN: If the committee is agreeable, we will allow Mr. Haase to finish it. After he has completed the brief, we then will devote the remainder of our time to questions.

Mr. Haase, would you continue at page 56, which refers to sales of farm implements and equipment, and repair parts in Canada.

Mr. HAASE: Mr. Chairman, on the subject of sales of farm implements and equipment and repair parts in Canada, chart 5 and supporting tables shows the total implement and equipment sales including repair parts for Canada and each province for the period 1946-1959. These data indicate that total expenditures on machinery and repairs for Canada, as a whole, tends to move within a fairly narrow range. These expenditures increased a moderate amount during the period of 1946 to 1952, declined abruptly until 1954 and have increased slightly since that date.

The same regional differences have occurred with respect to machinery sales as was shown in the cases of per acre total machinery investment and machinery operating costs. Sales in the prairie provinces have been comparatively low with the central and maritime provinces in an intermediate position, and the sales of machinery per crop and summerfallow acre in British Columbia being shown at a significantly higher amount.

Mr. Chairman, again this comparison rests, for calculation, on the per acreage basis because, while the sales per acre in the prairie provinces have been low, between one-half and two-thirds of total machinery sales have been in the prairie provinces in recent periods.

Sales of implements and repair parts tend to vary from year to year. This variation has long been recognized to be associated with variations in the net farm income of the respective year. While the change in sales over the period is not large, changes from year to year are, however, occasionally highly significant as a proportion of total sales.

Mr. DANFORTH: May I ask a question? Since the sales of farm implements and repairs are lumped together, is there anywhere in your summary a breakdown between the sale of new implements and the cost of repairs?

Mr. HAASE: Yes, Mr. Chairman. On page 58 and the following pages farm equipment sales and repair parts are shown separately, and the total is carried into the chart for purposes of comparison.

Mr. HORNER (*Acadia*): I have a question stemming out of something Mr. Haase said with regard to the percentage sold in western Canada. Does transportation play a large part in the costs of machinery, and could he prepare a breakdown of the amount of machinery sales in each province? I think this would be useful in determining the actual costs as between machinery and its transportation.

Mr. HAASE: Yes, the tables show machinery sales and repairs per province, but they are not broken down into the components of the cost.

Mr. HORNER (*Acadia*): I am thinking of this from the transportation angle and the weight of tractors. Does this show the percentage of tractors sold in every area?

Mr. FORBES: In other words, does it take freight rates into account?

Mr. HORNER (*Acadia*): Is this information obtainable?

Mr. HAASE: I could see.

Mr. HORNER (*Acadia*): If you would, I think it would be useful in pursuing our work in the days ahead.

Mr. THOMAS: When you speak of sales of farm implements would that only be new implements, or would it also include used implements? For example, a farmer may take in his old tractor and trade it in for a new one and the dealer will sell off the old tractor.

Mr. HAASE: I believe this is sales of new equipment.

Mr. THOMAS: Would you make sure of that?

Mr. HAASE: Yes.

The CHAIRMAN: If there are no further questions we shall proceed to page 66 of the summary.

Mr. HAASE: In this section there is a preliminary outline of the farm machinery industry in Canada and of the nature of the Canadian market for machinery. Chart 6 indicates that since 1948 a substantial proportion of Canadian produced farm machinery has been exported. I might add that in the last year of the comparison, 1958, about 75 per cent of the machinery produced in Canada was exported and about 25 per cent of the machinery produced in this country was sold on the domestic market. At the same time, as indicated by chart 7, a large proportion of machinery sales in Canada consists of imported machines. It has been recognized that there is the tendency of some manufacturing companies to specialize in the production of certain of their lines of machines in Canada and of certain other lines in other countries.

Now, the important point shown by chart 7 and table 7 is that in 1958, for example, fifteen per cent of the total machinery sold in Canada was produced in Canada and 85 per cent of the machinery sold in this country was imported. The question was raised at an early meeting about the net position with regard to the United States in connection with our trade in farm machinery, and I have some figures for three or four recent years.

In 1958 imports of farm machinery from the United States were in the order of \$190 million. Exports of Canadian products to the United States were in the order of \$90 million, taking into account all re-exports, covering machinery which was imported into Canada and then exported again, the net position with regard to the United States in machinery, in the year 1958, was a surplus of some \$98 million of imports over exports. In 1957, on the same basis, the net import from the United States was in the order of \$133 million and, in 1956, the net import was in the order of \$196 million.

Mr. DANFORTH: By net import do you mean total imports from the States?

Mr. HAASE: No, it is the surplus of imports over exports.

Mr. DANFORTH: Is there a Canadian deficit to that extent?

Mr. HAASE: Yes.

Mr. BOULANGER (*Interpretation*): Up to this time we have been dealing with these figures which have been provided by the dominion bureau of statistics. I, for one, do not see the usefulness of dealing, at any great length, with these. These are, of course, interesting, but the function of the committee is to look into the prices of agricultural machinery. That is our job, and I think we should deal from now on with the price of agricultural machinery.

Mr. HORNER (*Acadia*): I have a question on a point that Mr. Haase made, that 15 per cent of machinery sold in Canada is produced in Canada and 85 per cent sold in Canada is imported. Stemming out of the inquiry that we must look into the cost of these machines, I wonder if Mr. Haase could prepare a statement on this point, in view of the fact that transportation and labour and the cost of raw materials all bear a factor in the cost of machinery. Could Mr. Haase prepare a statement as to what makes up this 15 per cent of Canada's purchases of agricultural machinery; in other words, what machines are produced in Canada, and if possible where? We might then look fully into the whole problem of transportation and all the other components that go into it.

Mr. HAASE: That might be done, Mr. Chairman; the picture of the portion of Canadian production that is exported is fairly readily available. The major export of farm machines is the combine. In 1959 the total farm machinery exports from Canada were in the order of 110 million, of which something like 47 million was combines.

Mr. HORNER (*Acadia*): My question deals more with what is left behind, what we are making in Canada and buying in Canada. I do not know whether the dominion bureau of statistics could obtain this information. I would like to know what these combines are sold for, where they are exported overseas.

Mr. DANFORTH: I have a question arising out of the statement by Mr. Haase. Could we have more information on the statement you made, sir, concerning machinery that is imported into Canada and re-exported? I am interested in that particular phase of it.

Mr. HAASE: I might say that this is a relatively small amount. In 1958 it was in the order of 1,300,000, in 1957 in the order of 1,700,000 and in 1956 in the order of 1,200,000.

Mr. NASSERDEN: I have a few observations that I would like to make. First of all, I can see you have done a great deal of work on this report, but I do feel that, without the cultivated areas in grass in all parts of Canada, this report is rather meaningless in so far as trying to establish a basis for machinery cost per acre in different types of agriculture in concerned. It is true, perhaps, that you could only estimate those figures. I believe also that the acreage now used is also estimated in certain parts of Canada, if that is a fact, because if they have not got the figure for one type of cultivation, they probably have not got the figures for other types of cultivation. From the

standpoint that this report will be quoted and may be a source of information in the future for determining the cost of machinery to different types of activity, I think it should include the cultivated acreages in grassland right across the country.

Mr. HAASE: I would be glad to get the best estimates of this item available, Mr. Chairman, and besides that whether or not you wish to have some new calculations made up on the basis of these other figures.

Mr. FORBES: Before you leave, do I understand the services of Mr. Haase and the other economists here will be available to the committee throughout this hearing?

The CHAIRMAN: That is the understanding.

At our next meeting we expect to have the brief here ahead of time. These companies and organizations will send us their briefs a week ahead of the meeting. If you bring those briefs with you at the next meeting, gentlemen, it would be helpful, as they might be limited.

Also, there is one other clarification arising out of the proceedings of the last meeting regarding the John Deere Company. It was stated at that time, and the records show, that they had refused to come. I will ask Mr. Lyons to explain.

The CLERK OF THE COMMITTEE: I wrote a letter to the vice president and general manager of John Deere, Welland works, and he in turn, wrote to the vice president and general sales manager at their head office at Winnipeg. He had not replied so, during the past week I wrote to Mr. Trimble. They had not declined to come.

The CHAIRMAN: Before adjourning I wish to thank Dr. Andal and Mr. Haase for being here and preparing their statistical information. We will make wide use of it in the proceedings after the Easter recess.

APPENDIX "A"

A SUMMARY OF STATISTICS
RELATIVE TO THE ENQUIRY INTO THE
PRICE OF FARM MACHINERY

Prepared for

THE STANDING COMMITTEE
OF THE HOUSE OF COMMONS

ON

AGRICULTURE AND COLONIZATION

GORDON HAASE

Canada Department of Agriculture
Economics Division

OTTAWA, February 1961

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GENERAL PRICE MOVEMENTS IN CANADA

The data presented in this section show the general trend of price movements in Canada for the period 1939 to 1959. They consist of four sets of index numbers. These are: the general wholesale price index, the index of farm prices of agricultural products, the index of prices of commodities and services used by farmers and the farm machinery farm price index. The base period in each instance is 1935-1939 = 100.

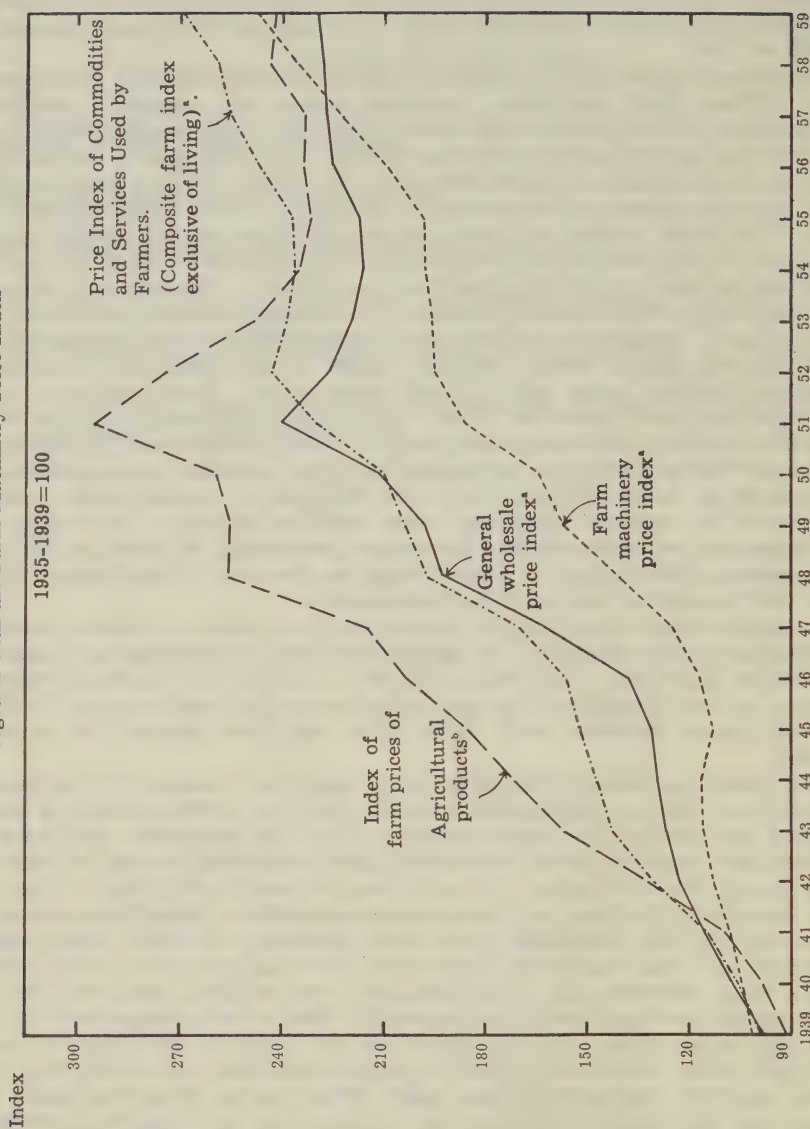
The general wholesale price index is a combined index of eight major group indexes.¹ These chief component material groups are vegetable products; animal products; fibres, textiles and textile products; wood, wood products and paper; iron and its products; non-ferrous metals (including gold); non-metallic minerals; and chemicals and allied products. The index of farm prices of agricultural products shows price changes of field and animal products sold by farmers. This index is based on prices for about 50 farm products which contributed approximately 90 per cent of the total cash income received by farmers from the sale of farm products during the base period. The index of prices of commodities and services used by farmers is a composite index and consists of three parts, i.e. (1) equipment and materials (farm machinery; building materials; gasoline, oil and grease; feed; fertilizer, binder twine; seed; and hardware), (2) taxes and interest rates, and (3) farm wage rates. Retail prices are used for the equipment and materials index. One of the components of the index is the farm machinery and equipment group for which a sub-index is calculated. A selection of the machinery and equipment used on Canadian farms is contained in this sub-group index and the items are weighted to represent the relative importance of the various kinds and types used by farmers. The index is a "price" index and expresses current prices as a percentage of prices in 1935-39. It is a measure of the impact of price change on the cost of purchasing a fixed quantity and quality of machinery and equipment.

The general tendency of various prices which are shown by these statistics is of relevance to this inquiry. The general wholesale price index is a measure of the trend of all prices. This index, (Chart 1 and Table 1) shows an upward tendency of prices throughout the period under review, with a peak in 1951 from which prices declined until about 1954 and then resumed an upward movement.

While there is a tendency of all prices to move in a manner of the general price level, it is also a characteristic of the prices of certain goods to move both earlier and further than the average, and at the same time the prices of other goods can be seen to move more slowly and sometimes by smaller amounts than the general level of prices. Thus it may be seen from Chart 1 that the index of the prices of a group of commodities and services which farmers use in their business, i.e. the composite farm index (exclusive of farm living costs), rose in about the same manner as the general level of all prices until about 1951. Since that time, however, the composite farm index of farm costs has risen by a greater extent and now stands substantially above the average level of the index of wholesale prices. At the same time the index of the prices of farm products rose faster than both prices in general and farm costs until 1951 and has fallen relatively further since that time. When prices of farm products are compared with the prices of things that farmers buy, the relative purchasing power of farm products in terms of these requirements is obtained, given a particular level of productivity. When both these groups of prices move in the same direction and at the same rate the purchasing power of farm products is not affected to any degree. However, when farm product prices rise relative to the cost of things that farmers buy, the purchasing power of these farm

¹ For a detailed account of the construction of the wholesale price index see Dominion Bureau of Statistics Reference Paper No. 24—"Wholesale Price Indexes. 1913-1950 (1935-39 = 100).

Chart 1.—Selected Indexes of General Prices, Farm Prices and Farm Costs,
together with the Farm Machinery Price Index



^a Price and Price Indexes, Prices Division, Dominion Bureau of Statistics.

^b Index Numbers of Farm Prices of Agricultural Products. Finance Section, Agriculture Division, Dominion Bureau of Statistics.

products is accordingly increased. On the other hand, with the prices of farm products falling relative to the prices of commodities and services which farmers buy, their purchasing power correspondingly declines. Reference to Chart 1 indicates that this situation has prevailed in Canada since about 1951.

Of immediate interest to this inquiry, Chart 1 also shows that while farm machinery prices have risen throughout the period under review, they have risen by a smaller amount than the prices of some of the other commodities shown. Thus the prices of farm machinery increased more slowly than the general level of all prices over the period 1939-1957, but since 1957 this group of prices increased relatively more than the general price level. At the same time the index of the prices of the commodities and services which farmers use, i.e. the composite farm index and which includes the prices of farm machinery, rose by a greater amount than the prices of farm machinery alone. Since about 1952, however, the prices of farm machinery have tended to increase more rapidly than the composite farm cost index. Finally, throughout the period 1939-1951 the index of the prices of farm products rose considerably faster than the prices of the commodities and services which farmers use and the prices of farm machinery in particular. Throughout this 12-year period the purchasing power of farm products in terms of these other items including machinery was correspondingly increased. However as Chart 1 shows the price of farm products declined drastically from 1951-1955, and their purchasing power declined accordingly since the index of farm costs, including machinery prices, continued to rise. Since 1955, the rise in the index of farm product prices has been less than the rise in the composite farm costs index and less than the index of farm machinery prices in particular. This resulted in a continued and further decline in purchasing power.

Table 1.—Selected Indexes of General Prices, Farm Prices and Farm Costs, together with the farm machinery price index

Year	General wholesale price index ^a	Farm machinery price index ^a	Composite farm index exclusive of living ^a	Index of farm prices of agricul- tural product ^b
— 1935-39 = 100 —				
1959.....	230.6	248.4	269.5	242.9 ^c
1958.....	227.8	236.7	259.9	244.0
1957.....	227.4	223.8	255.9	234.2
1956.....	225.6	209.4	247.6	234.6
1955.....	218.9	198.8	233.8	232.7
1954.....	217.0	197.9	237.2	236.8
1953.....	220.7	196.7	239.8	250.4
1952.....	226.0	195.4	243.1	274.4
1951.....	240.2	186.8	230.0	296.8
1950.....	211.2	165.1	210.4	260.8
1949.....	198.3	158.3	204.1	255.4
1948.....	193.4	141.6	197.6	255.8
1947.....	163.3	126.3	170.4	215.8
1946.....	138.9	118.8	157.0	204.1
1945.....	132.1	115.1	152.1	185.7
1944.....	130.6	118.2	148.0	172.4
1943.....	127.9	117.1	143.4	157.8
1942.....	123.0	114.4	131.6	133.1
1941.....	116.4	109.1	116.1	110.2
1940.....	108.0	105.8	106.8	96.9
1939.....	99.2	103.6	99.3	91.8

^a Price and Price Indexes, Prices Division, Dominion Bureau of Statistics.

^b Index Numbers of Farm Prices of Agricultural Products, Finance Section, Agriculture Division, Dominion Bureau of statistics.

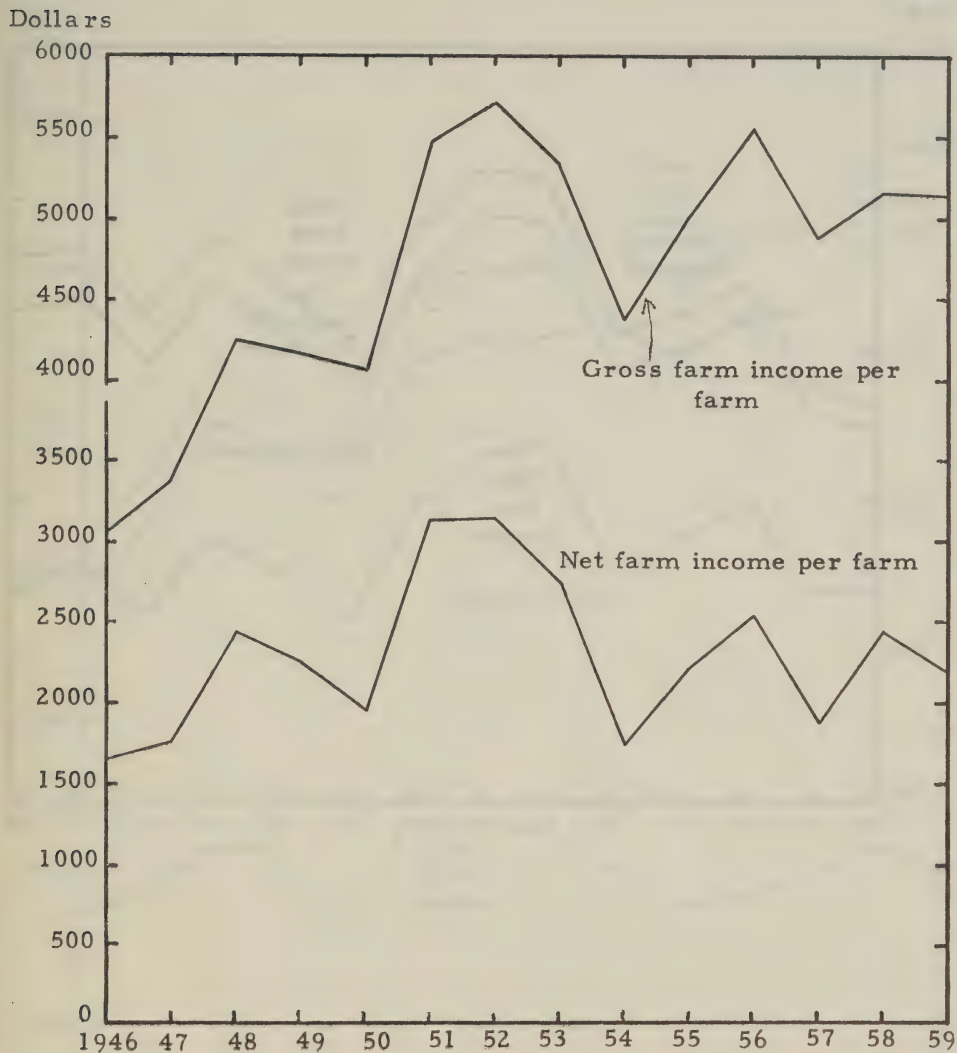
^c Western grain prices used in the construction of the index prior to August 1, 1959 are final prices. Since August 1, 1959 only initial prices are available for wheat, oats and barley.

THE FARM INCOME SITUATION IN CANADA

A presentation of the general income situation on Canadian farms may be helpful for an understanding of the effects of the movements of the prices of particular cost items. The changes in the prices of farm products and in the prices of commodities and services which farmers use have been described. These changes are now translated into the over-all income situation of farm costs and net returns for the farms in Canada and each of the provinces. In the following charts the gross farm income for all the farms in Canada and for the farms in each province is shown for the years 1946-1959. The cash operating expenses and non-cash farm expenses, mainly depreciation, are subtracted from gross returns to obtain net farm income. Examination of Chart 2(a) suggests that since about 1948 gross farm income in Canada has tended to remain comparatively stable given the expected short term ups and downs of which the increases in 1951-1952 were larger than usual. At the same time farm expenses, both cash and non-cash, have tended to increase consistently throughout the period and this is depicted by a consistent widening of the space between gross and net farm income. The result has been that net farm income has tended to decline over the period 1948-1959, again with the expected short run ups and downs of which the increase in 1951 was larger than usual.

This pressure on net farm income is regarded as the result of the so-called cost-price squeeze in agriculture. The behavior of certain farm prices was examined in Chart 1 and the results of these price movements can be interpreted in terms of their final effects upon total farm income and expenses. This is due to the fact that the farm operator in the course of his business can and does adjust to price changes by reducing his expenditures on high cost items and substituting other items which are relatively cheaper, also, technological advances permit increases in efficiency. Thus, it can be noted that total farm expenses have not increased to the same extent as some of the prices of individual commodities that farmers buy. At the same time it should be noted that the increase in farm expenses, both cash and non-cash, has been the result of an increase to some extent, in the prices of all things that farmers use, although the prices of these commodities have not all risen at the same rate. It should also be noted that this changing relationship of farm income and expense has had different effects in each province reflecting the particular types of farming that are practised.

Chart 2.—Gross and Net Farm Income per Farm*. Canada, 1946-1959



* Official figures on numbers of farms are available only for census years. Numbers for other years were estimated.

Chart 2(a).—Average Farm Income and Expenses per Crop and Summerfallow Acre for Canada. 1946-1959

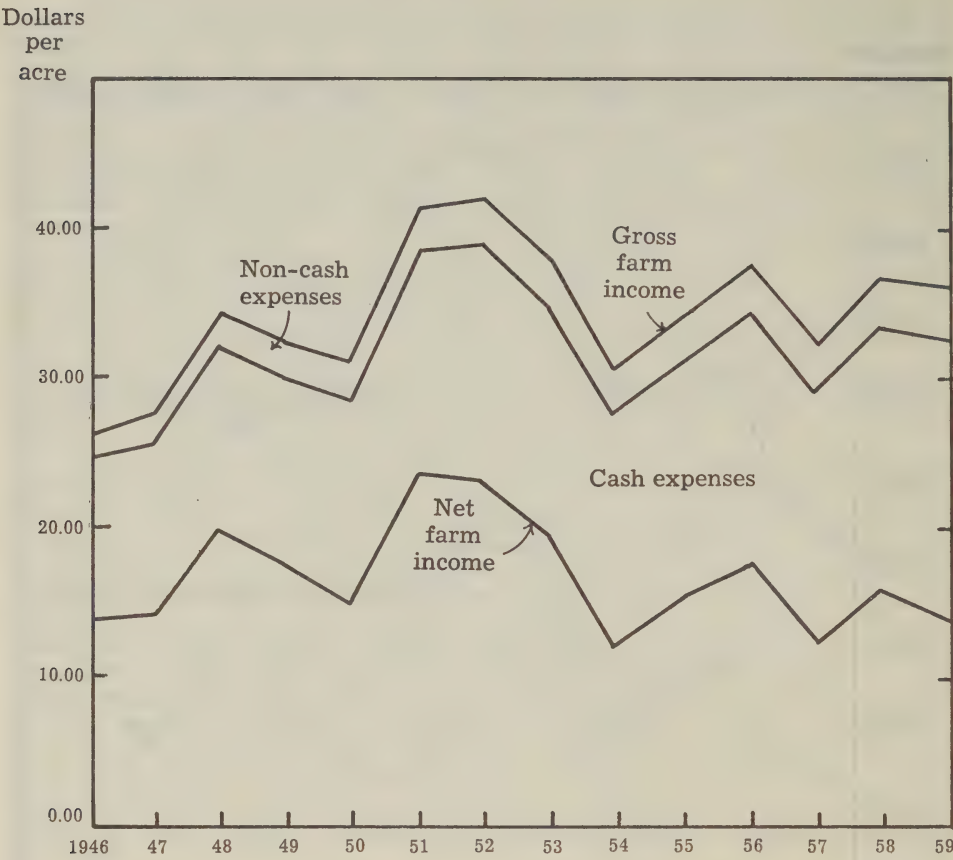


Chart 2(b).—Average Farm Income and Expenses per Crop and Summerfallow Acre for British Columbia, 1946-1959

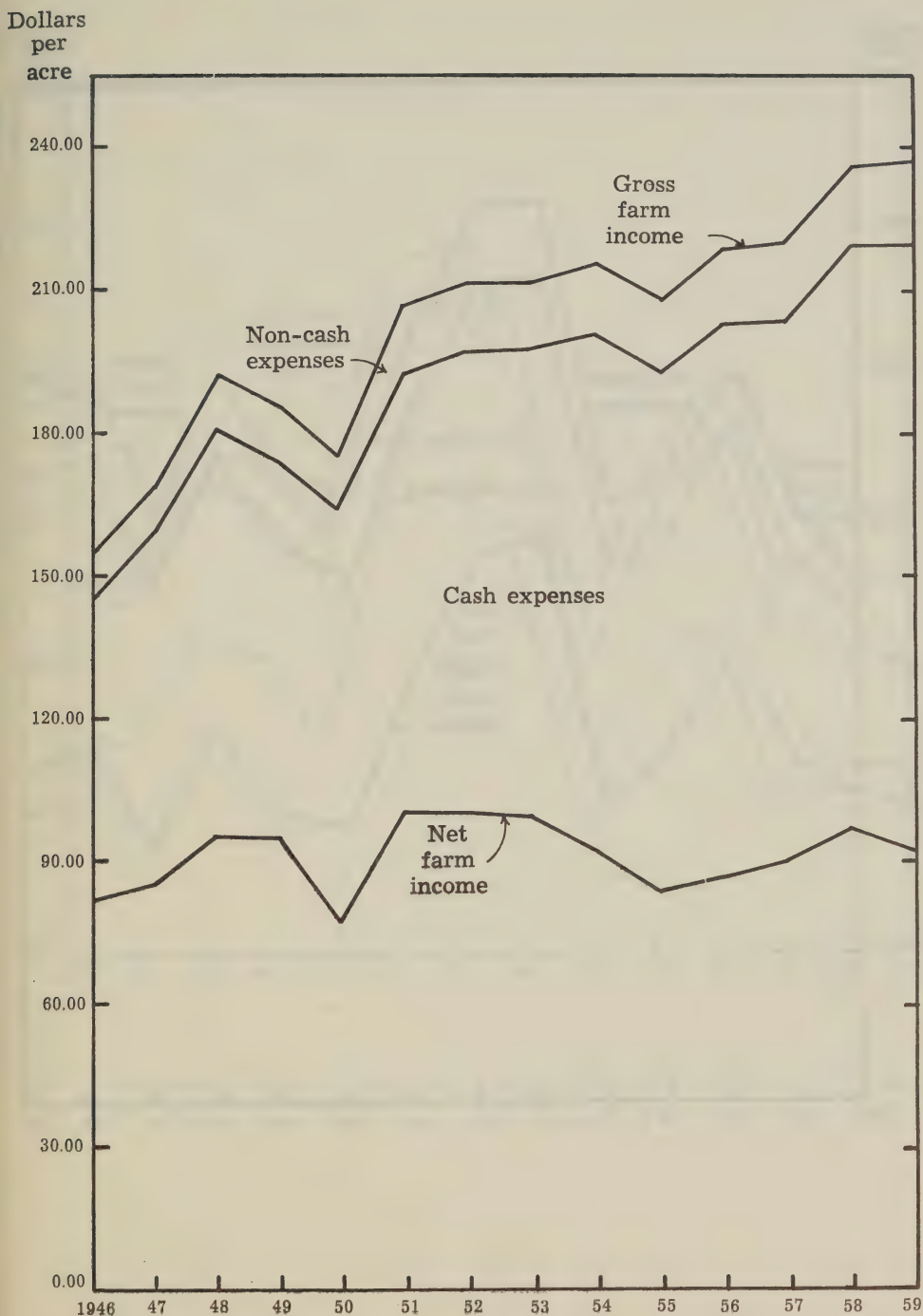


Chart 2(c).—Average Farm Income and Expenses per Crop and Summerfallow Acre for Alberta, 1946-1959

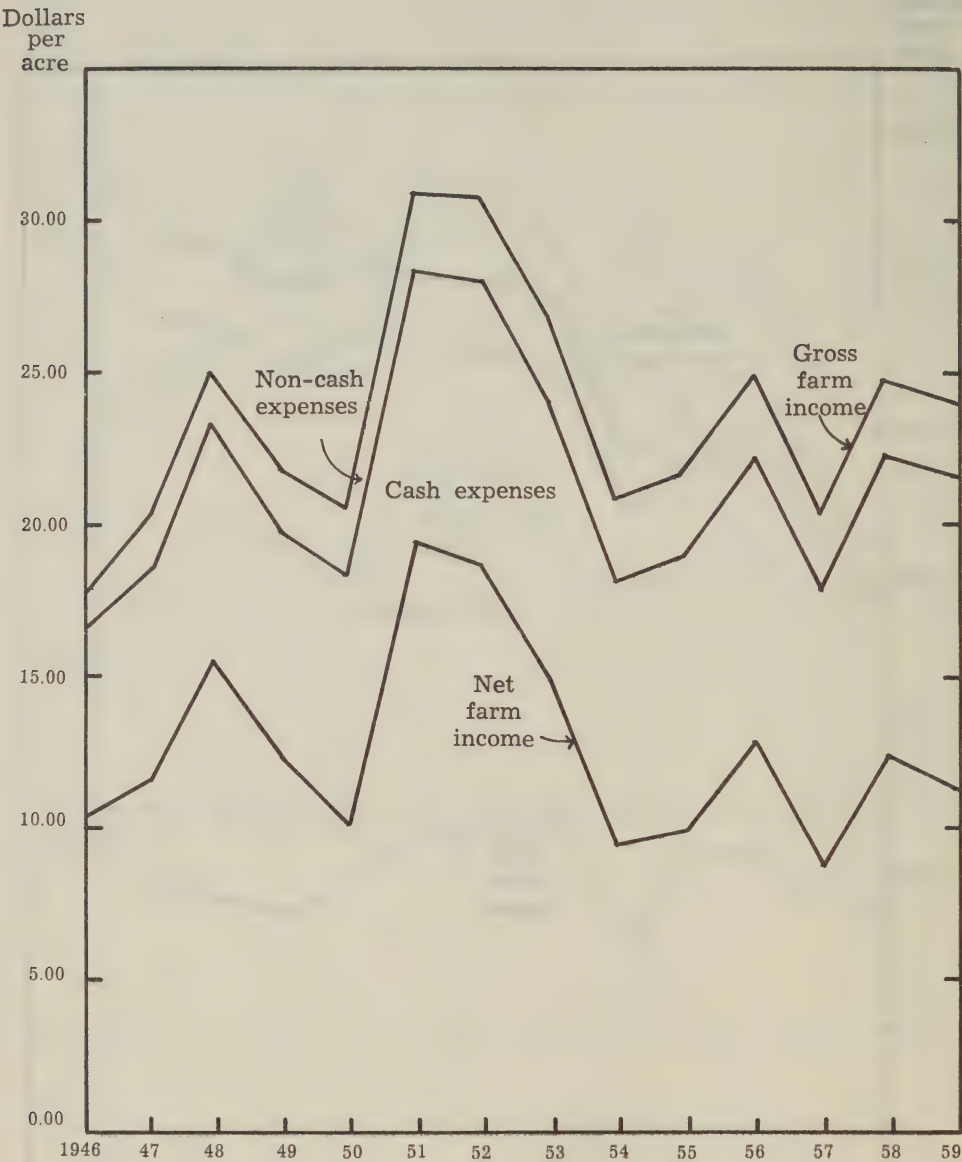


Chart 2(d).—Average Farm Income and Expenses per Crop and Summerfallow Acre for Saskatchewan, 1946-1959

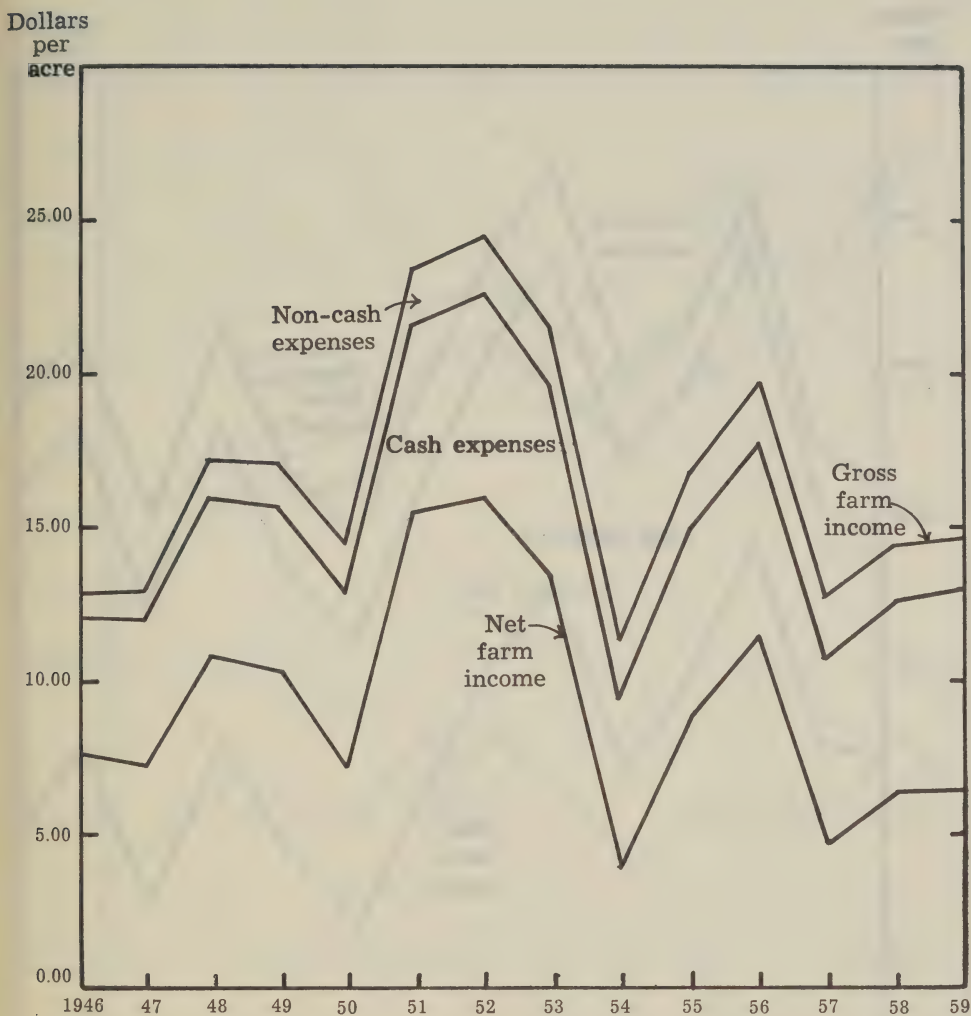


Chart 2(e).—Average Farm Income and Expenses per Crop and Summerfallow Acre for Manitoba, 1946-1959



Chart 2(f).—Average Farm Income and Expenses per Crop and Summerfallow Acre for Ontario, 1946-1959

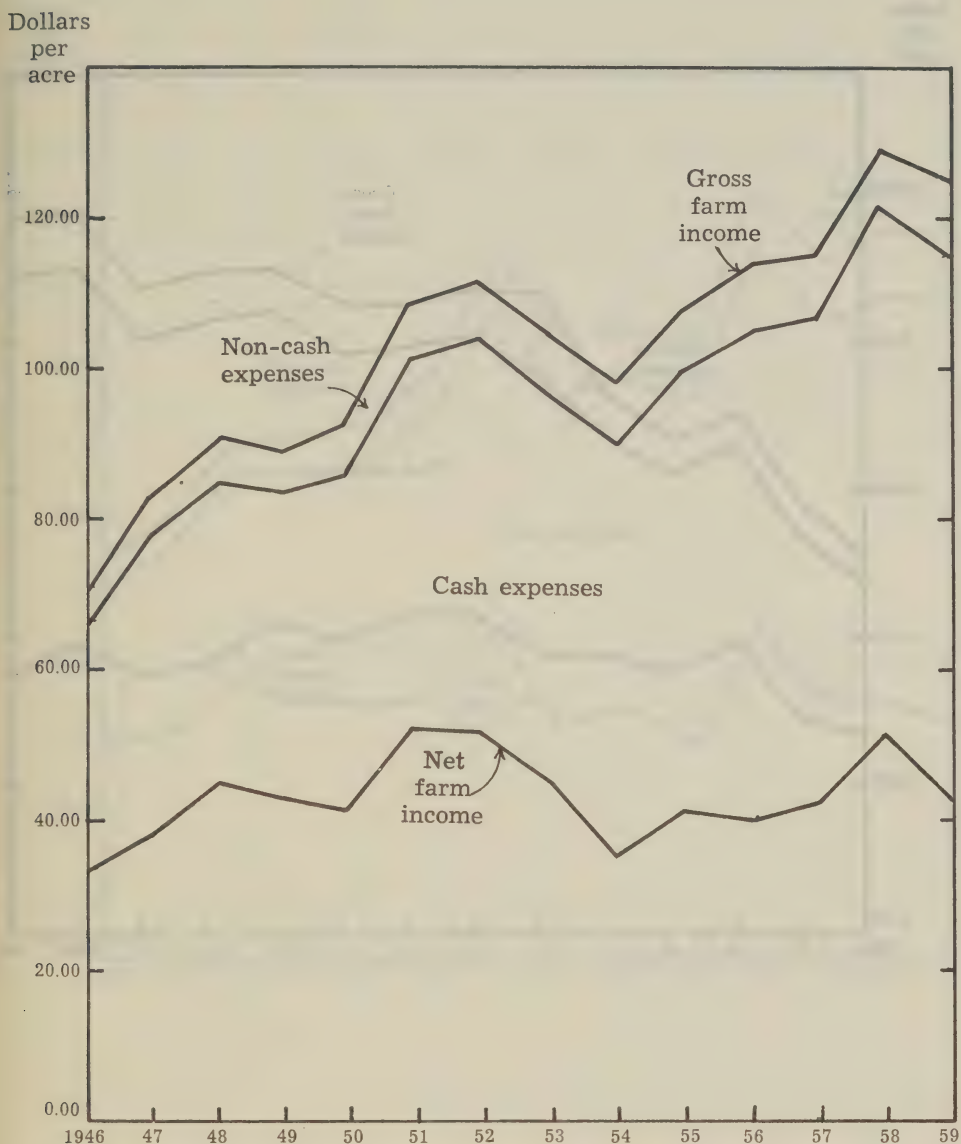


Chart 2(g).—Average Farm Income and Expenses per Crop and Summerfallow Acre for Quebec, 1946-1959

Dollars
per
acre

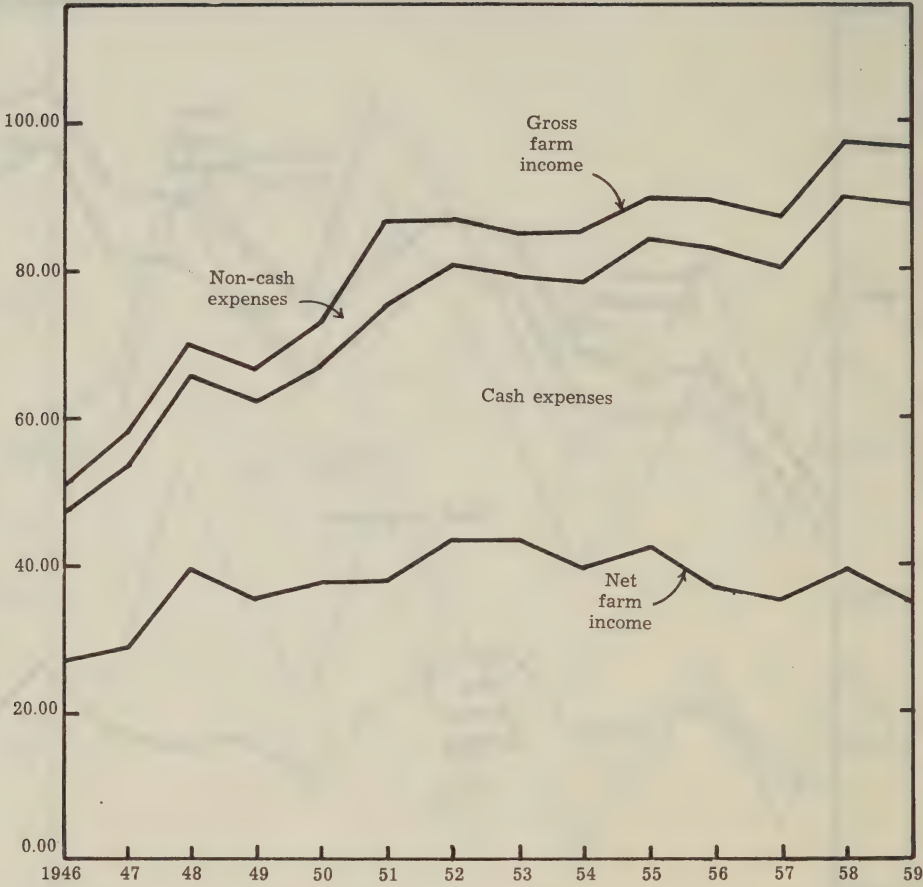


Chart 2(h).—Average Farm Income and Expenses per Crop and Summerfallow Acre for New Brunswick, 1946-1959

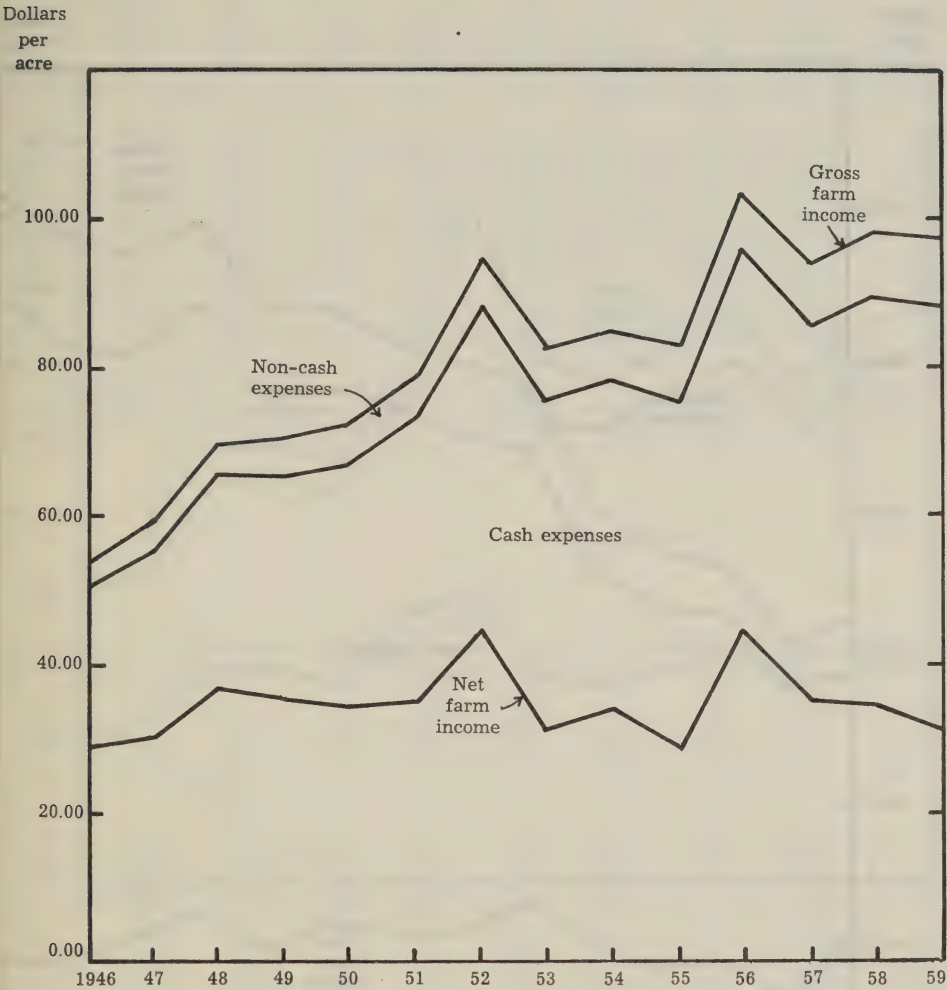


Chart 2(j).—Average Farm Income and Expenses per Crop and Summerfallow Acre for Nova Scotia, 1946-1959



Chart 2(k).—Average Farm Income and Expenses per Crop and Summerfallow Acre for Prince Edward Island, 1946-1959

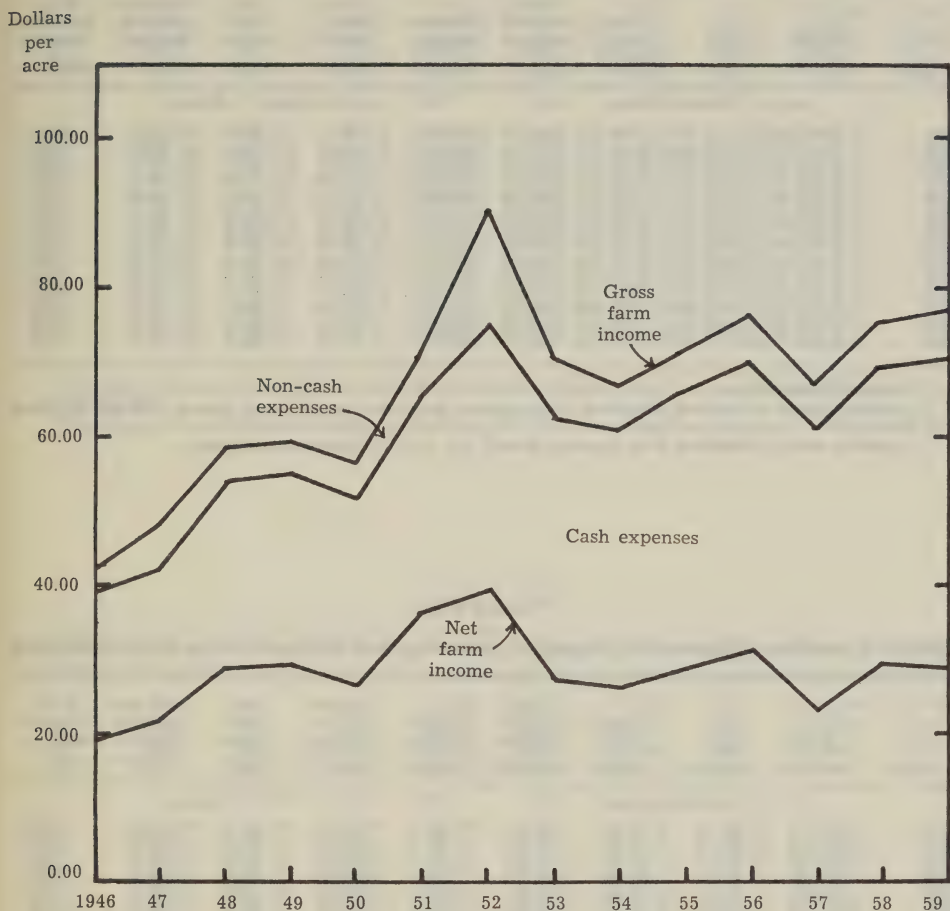


TABLE 2(a)

Canada^a—Income and Expenses per Crop and Summerfallow Acre, 1946-1959

Year	Gross farm income ^b	Net farm income ^b	Total cash operating expenses ^b	Total non-cash expenses (depreciation) ^b	Crop and summer-fallow acreage ^c	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000	dollars			
1959.....	3,082,364	1,191,870	1,598,747	291,747	85,290.8	36.14	13.97	18.74	3.42
1958.....	3,148,877	1,353,062	1,508,766	287,049	85,422.0	36.86	15.84	17.66	3.36
1957.....	2,764,707	1,058,268	1,421,090	285,349	85,764.8	32.24	12.34	16.57	3.33
1956.....	3,195,231	1,458,135	1,452,347	284,749	85,483.5	37.38	17.06	16.99	3.33
1955.....	2,923,824	1,289,964	1,349,071	284,789	85,206.4	34.31	15.14	15.83	3.34
1954.....	2,604,447	1,025,272	1,293,800	285,375	85,328.1	30.52	12.02	15.16	3.34
1953.....	3,207,074	1,644,382	1,286,189	276,503	84,510.2	37.95	19.46	15.22	3.27
1952.....	3,500,239	1,919,439	1,320,033	260,767	83,341.2	42.00	23.03	15.84	3.13
1951.....	3,419,084	1,936,990	1,232,250	249,844	82,473.1	41.46	23.49	14.94	3.03
1950.....	2,551,457	1,219,757	1,112,975	218,725	81,670.5	31.24	14.94	13.63	2.68
1949.....	2,631,443	1,415,787	1,027,014	188,642	81,053.4	32.47	17.47	12.67	2.33
1948.....	2,718,710	1,554,080	997,859	166,771	79,402.9	34.24	19.57	12.57	2.10
1947.....	2,182,581	1,130,293	906,486	145,802	78,953.9	27.64	14.32	11.48	1.85
1946.....	1,992,973	1,077,980	784,534	130,459	77,009.3	25.63	13.87	10.10	1.68

^a Excludes Newfoundland.^b Dominion Bureau of Statistics, Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.^c Dominion Bureau of Statistics, Crop Reporting Series. No. 16—(Tame pasture not included).

TABLE 2(b)

British Columbia—Income and Expenses per Crop and Summerfallow Acre, 1946-1959

Year	Gross farm income ^a	Net farm income ^a	Total cash operating expenses ^a	Total non-cash expenses (depreciation) ^a	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000	dollars			
1959.....	141,774	55,310	76,814	9,650	600.9	235.94	92.05	127.83	16.06
1958.....	138,496	57,103	72,107	9,286	588.4	235.38	97.04	122.55	15.78
1957.....	130,100	53,170	67,824	9,106	593.2	219.32	89.63	114.34	15.36
1956.....	127,587	50,721	68,096	8,770	585.2	218.02	86.67	116.36	14.99
1955.....	120,351	48,331	63,454	8,566	580.0	207.50	83.33	109.40	14.77
1954.....	121,488	52,035	61,131	8,322	564.0	215.40	92.26	108.39	14.76
1953.....	123,773	58,043	57,604	8,126	585.3	211.47	99.17	98.42	13.88
1952.....	122,587	58,202	56,630	7,755	581.2	210.92	100.14	97.44	13.34
1951.....	118,690	57,702	53,428	7,560	574.5	206.24	100.26	92.84	13.14
1950.....	100,521	44,440	49,157	6,924	571.6	175.86	77.15	86.00	12.11
1949.....	106,796	54,874	45,747	6,176	576.7	185.18	95.15	79.33	10.71
1948.....	103,195	51,762	46,048	5,385	536.4	192.38	96.50	85.85	10.04
1947.....	94,311	47,810	41,761	4,740	558.8	168.77	85.56	74.73	8.48
1946.....	85,658	46,043	35,468	4,147	549.9	155.77	83.73	64.50	7.54

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 2(c)

Alberta—Income and Expenses per Crop and Summerfallow Acre, 1946-1959

Year	Gross farm income*	Net farm income*	Total cash operating expenses*	Total non-cash expenses (depreciation)*	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000	dollars			
1959.....	515,126	239,527	220,210	55,389	21,575.3	23.88	11.10	10.21	2.57
1958.....	529,365	264,075	210,362	54,928	21,470.3	24.66	12.30	9.80	2.56
1957.....	436,361	185,640	195,689	55,032	21,490.8	20.30	8.64	9.11	2.56
1956.....	532,520	274,568	202,191	55,761	21,566.1	24.70	12.74	9.38	2.59
1955.....	458,298	209,199	192,259	56,840	21,306.6	21.51	9.82	9.02	2.67
1954.....	441,652	200,714	182,764	58,174	21,162.5	20.87	9.48	8.64	2.75
1953.....	557,896	309,943	191,062	56,891	20,811.4	26.81	14.89	9.18	2.73
1952.....	627,354	381,820	192,332	53,202	20,495.7	30.61	18.63	9.38	2.60
1951.....	625,398	391,944	182,030	51,424	20,321.1	30.78	19.29	8.96	2.53
1950.....	414,046	203,955	164,984	45,107	20,174.2	20.52	10.11	8.18	2.24
1949.....	434,414	245,719	150,245	38,450	19,990.4	21.73	12.29	7.52	1.92
1948.....	476,860	296,087	148,220	32,553	19,098.9	24.97	15.50	7.76	1.70
1947.....	385,100	220,116	132,991	26,993	18,954.0	20.32	11.61	7.02	1.42
1946.....	334,569	196,707	114,597	23,265	18,801.0	17.80	10.46	6.10	1.24

* Dominion Bureau of Statistics, Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 2(d)

Saskatchewan—Income and Expenses per Crop and Summerfallow Area, 1946-1959

Year	Gross farm income*	Net farm income*	Total cash operating expenses*	Total non-cash expenses (depreciation)*	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000	dollars			
1959.....	561,633	243,310	250,689	67,638	38,403.7	14.62	6.33	6.53	1.76
1958.....	557,005	246,885	241,337	68,783	38,602.1	14.43	6.40	6.25	1.78
1957.....	489,779	183,277	235,665	70,837	38,684.5	12.66	4.74	6.09	1.83
1956.....	754,839	438,880	243,835	72,196	38,483.0	19.61	11.40	6.34	1.88
1955.....	637,538	333,748	229,435	74,555	38,168.9	16.70	8.74	6.01	1.95
1954.....	428,456	144,799	207,379	76,278	38,038.9	11.26	3.81	5.45	2.01
1953.....	805,384	500,380	232,244	72,760	37,488.9	21.48	13.35	6.20	1.94
1952.....	898,925	584,764	245,403	68,758	36,764.0	24.45	15.91	6.68	1.87
1951.....	851,296	560,773	223,908	66,615	36,385.2	23.40	15.41	6.15	1.83
1950.....	522,907	259,767	205,439	57,701	36,175.7	14.45	7.18	5.68	1.60
1949.....	602,392	363,591	190,333	48,468	35,356.5	17.04	10.28	5.38	1.37
1948.....	598,792	376,365	180,750	41,677	35,017.4	17.10	10.75	5.16	1.19
1947.....	450,544	251,002	164,271	35,271	34,770.0	12.96	7.22	4.72	1.01
1946.....	437,899	257,188	149,749	30,962	34,127.9	12.83	7.54	4.39	0.91

* Dominion Bureau of Statistics, Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 2(e)

Manitoba—Income and Expenses per Crop and Summerfallow Acre, 1946-1959

Year	Gross farm income*	Net farm income*	Total cash operating expenses*	Total non-cash expenses (depreciation)*	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000			dollars	
1959.....	249,576	100,108	117,752	31,716	10,416.1	23.96	9.61	11.30	3.05
1958.....	272,547	129,580	110,686	32,281	10,424.7	26.14	12.43	10.62	3.10
1957.....	212,682	74,835	104,921	32,926	10,589.0	20.09	7.07	9.91	3.11
1956.....	274,120	130,282	110,313	33,525	10,435.2	26.27	12.48	10.57	3.21
1955.....	225,474	91,915	99,325	34,199	10,361.1	21.76	8.87	9.59	3.30
1954.....	199,675	65,441	99,091	35,143	10,344.7	19.30	6.33	9.58	3.40
1953.....	247,292	109,599	102,653	35,040	10,278.0	24.06	10.66	9.99	3.41
1952.....	290,660	152,374	105,368	32,918	10,124.8	28.71	15.05	10.41	3.25
1951.....	308,768	173,689	103,771	31,308	9,787.2	31.55	17.75	10.60	3.10
1950.....	233,991	108,838	97,620	27,533	9,348.3	25.03	11.64	10.44	2.95
1949.....	251,296	138,017	90,999	22,280	9,513.3	26.42	14.51	9.57	2.34
1948.....	282,017	176,832	86,333	18,852	9,238.9	30.52	19.14	9.34	2.04
1947.....	205,224	114,469	75,066	15,689	9,173.3	22.37	12.48	8.18	1.71
1946.....	185,964	105,966	66,091	13,907	8,928.8	20.83	11.87	7.40	1.56

* Dominion Bureau of Statistics. Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Dominion Bureau of Statistics. Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 2(f)

Ontario—Income and Expenses per Crop and Summerfallow Acre, 1946-1959

Year	Gross farm income*	Net farm income*	Total cash operating expenses*	Total non-cash expenses (depreciation)*	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000			dollars	
1959.....	972,146	328,643	566,254	77,249	7,750.0	125.44	42.41	73.07	9.97
1958.....	1,066,838	401,797	531,309	73,732	7,763.3	129.69	51.76	68.44	9.50
1957.....	905,632	330,127	504,464	71,041	7,820.0	115.81	42.22	64.51	9.08
1956.....	888,739	313,026	506,681	69,032	7,791.8	114.06	40.17	65.03	8.86
1955.....	869,106	332,457	469,754	66,895	8,060.7	107.82	41.24	58.28	8.30
1954.....	815,464	295,040	456,049	64,375	8,297.8	98.32	35.56	54.96	7.76
1953.....	873,640	378,618	432,936	62,086	8,376.6	104.30	45.20	51.68	7.41
1952.....	928,541	431,715	438,625	58,201	8,324.6	111.54	51.86	52.69	6.99
1951.....	896,799	431,172	411,043	54,584	8,274.8	108.38	52.11	49.67	6.60
1950.....	754,374	336,637	370,901	46,836	8,171.8	92.31	41.19	45.39	5.73
1949.....	731,831	352,929	336,734	42,168	8,209.3	89.15	42.99	41.02	5.14
1948.....	732,763	366,693	327,705	38,365	8,079.0	90.70	45.39	40.56	4.75
1947.....	603,832	276,650	292,083	35,099	7,280.5	82.94	38.00	40.12	4.82
1946.....	537,733	255,706	249,838	32,189	7,552.7	71.20	33.86	33.08	4.26

* Dominion Bureau of Statistics. Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Dominion Bureau of Statistics. Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 2(g)

Quebec—Income and Expenses per Crop and Summerfallow Acre, 1946-1959

Year	Gross farm income ^a	Net farm income ^a	Total cash operating expenses ^a	Total non-cash expenses (depreciation) ^a	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000	dollars			
1959.....	502,367	180,826	283,639	37,905	5,202.3	96.57	34.76	54.52	7.29
1958.....	506,492	206,507	263,713	36,272	5,210.4	97.21	39.63	50.61	6.96
1957.....	457,718	185,035	237,689	34,994	5,217.4	87.73	35.47	45.56	6.71
1956.....	470,866	193,630	242,960	34,276	5,240.0	89.86	36.95	46.37	6.54
1955.....	481,622	228,482	220,216	32,924	5,354.4	89.95	42.67	41.13	6.15
1954.....	463,919	216,442	215,017	32,460	5,458.8	84.99	39.65	39.39	5.95
1953.....	466,742	238,144	197,498	31,100	5,484.8	85.10	43.42	36.01	5.67
1952.....	480,800	241,999	205,953	29,959	5,543.0	86.74	43.64	37.70	5.41
1951.....	482,186	261,476	192,144	28,566	5,582.2	86.38	37.87	29.82	4.56
1950.....	403,350	211,416	166,481	25,453	5,613.4	71.86	37.66	29.66	4.53
1949.....	383,024	203,846	156,490	22,688	5,766.5	66.42	35.35	27.14	3.93
1948.....	400,917	226,431	152,475	22,011	5,735.8	69.90	39.48	26.58	3.84
1947.....	337,802	169,499	147,783	20,520	5,814.4	58.10	29.15	25.42	3.53
1946.....	303,922	161,384	123,331	19,207	5,968.2	50.92	27.04	20.67	3.22

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 2(h)

New Brunswick—Income and Expenses per Crop and Summerfallow Acre, 1946-1959

Year	Gross farm income ^a	Net farm income ^a	Total cash operating expenses ^a	Total non-cash expenses (depreciation) ^a	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000	dollars			
1959.....	54,923	17,702	32,425	4,796	562.3	97.68	31.48	57.67	8.53
1958.....	55,459	19,703	31,073	4,683	564.8	98.19	34.89	55.02	8.29
1957.....	54,443	20,499	29,358	4,586	579.3	93.98	35.39	50.68	7.92
1956.....	61,721	26,322	30,926	4,473	595.4	103.66	44.21	51.94	7.51
1955.....	51,422	17,879	29,209	4,334	618.5	83.14	28.91	47.23	7.01
1954.....	54,233	21,716	28,276	4,241	638.7	84.91	34.00	44.27	6.64
1953.....	53,680	20,510	28,920	4,250	651.0	82.46	31.51	44.42	6.53
1952.....	62,813	29,544	29,297	3,972	666.5	94.24	44.33	43.96	5.96
1951.....	54,700	24,257	26,530	3,913	689.8	79.30	35.17	38.46	5.67
1950.....	52,172	24,657	23,796	3,719	719.7	72.49	34.26	33.06	5.17
1949.....	52,526	26,674	22,514	3,338	746.2	70.39	35.75	30.17	4.47
1948.....	54,004	28,485	22,379	3,140	774.2	69.76	36.79	28.91	4.06
1947.....	48,120	24,420	20,678	3,022	806.3	59.68	30.29	25.65	3.75
1946.....	44,933	24,363	17,859	2,711	828.8	54.21	29.40	21.55	3.27

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 2(j)

Nova Scotia—Income and Expenses per Crop and Summerfallow Acre, 1956-1959

Year	Gross farm income ^a	Net farm income ^a	Total cash operating expenses ^a	Total non-cash expenses (depreciation) ^a	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000	dollars			
1959.....	53,337	14,631	33,759	4,947	372.5	143.19	39.28	90.63	13.28
1958.....	51,277	15,165	31,430	4,682	379.0	135.30	40.01	82.93	12.35
1957.....	50,396	16,143	29,783	4,470	379.4	132.83	42.55	78.50	11.78
1956.....	53,313	17,683	31,246	4,384	383.2	139.13	46.15	81.54	11.44
1955.....	49,719	15,957	29,549	4,213	391.6	126.96	40.75	75.46	10.76
1954.....	51,198	17,946	29,123	4,126	401.9	127.39	44.65	72.46	10.27
1953.....	50,120	17,639	28,457	4,027	408.3	122.75	43.20	69.70	9.86
1952.....	51,239	18,745	28,617	3,877	428.6	119.55	43.74	66.77	9.05
1951.....	51,495	20,738	26,933	3,824	436.6	117.95	47.50	61.69	8.76
1950.....	44,774	18,114	23,082	3,578	447.2	100.12	40.51	51.61	8.00
1949.....	43,218	17,342	22,536	3,340	457.1	94.55	37.94	49.30	7.31
1948.....	44,469	18,723	22,579	3,167	482.5	92.16	38.80	46.80	6.56
1947.....	41,530	16,749	21,792	2,989	506.4	82.01	33.07	43.03	5.90
1946.....	43,587	22,021	18,823	2,743	515.8	84.50	42.69	36.49	5.32

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 2(k)

Prince Edward Island—Income and Expenses per Crop and Summerfallow Acre, 1956-1959

Year	Gross farm income ^a	Net farm income ^a	Total cash operating expenses ^a	Total non-cash expenses (depreciation) ^a	Crop and summer-fallow acreage ^b	Gross farm income per acre	Net farm income per acre	Total cash operating expenses per acre	Total non-cash expenses per acre
	thousand dollars				'000	dollars			
1959.....	31,482	11,813	17,212	2,457	407.6	77.24	28.98	42.23	6.03
1958.....	31,398	12,247	16,749	2,402	415.3	75.60	29.49	40.33	5.78
1957.....	27,596	9,542	15,697	2,357	411.2	67.11	23.21	38.17	5.73
1956.....	31,526	13,095	16,099	2,332	413.7	76.21	31.65	38.91	5.64
1955.....	30,094	11,961	15,870	2,263	420.4	71.58	28.45	37.75	5.38
1954.....	28,362	11,136	14,970	2,256	420.9	67.38	26.46	35.57	5.36
1953.....	28,547	11,509	14,815	2,223	415.9	68.64	27.67	35.62	5.35
1952.....	37,320	20,387	14,808	2,125	412.8	90.41	49.39	35.87	5.15
1951.....	29,752	15,239	12,463	2,050	421.7	70.55	36.14	29.55	4.86
1950.....	25,322	11,933	11,515	1,874	445.7	56.81	26.77	25.84	4.21
1949.....	25,945	12,795	11,416	1,734	436.4	59.45	29.32	26.16	3.97
1948.....	25,693	12,702	11,870	1,621	439.7	58.43	28.89	25.86	3.69
1947.....	21,118	9,578	10,061	1,479	440.5	47.94	21.74	22.84	3.36
1946.....	18,708	8,602	8,778	1,328	436.3	42.88	19.72	20.12	3.04

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics—Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

FARM COSTS AND FARM MACHINERY PRICES IN CANADA

Having examined the general situation of farm prices and farm income in Canada, it is now possible to look more specifically at the effect of rising farm machinery prices upon the farm economy. Cash farm expenses include the current costs of operating farm machinery, and the non-cash farm expenses include depreciation on farm equipment. These farm machinery expenses are shown in Charts 3(a) and 3(b). The tendency of these costs has been to rise over the period 1946-1959 in each province of Canada. Cash and non-cash farm machinery costs are shown on a per acre basis. Machinery efficiency over the period under review has been increasing at the same time that prices have been rising. If the efficiency of a machine in terms of number of acres it will handle rises at the same rate as the price of the machine, then the farmer's machinery costs per acre operated would not be greatly affected. It is only when the price of machinery rises faster than its efficiency in farm use that a real machinery cost increase is realized. However, machinery is used with other farm resources such as land and labor, and the increased use of machinery has to some extent replaced labor. Thus, some increase in machinery cost per acre can occur without a corresponding rise in the total costs per acre. It is recognized that not all of the machinery and equipment is used for crop production and that the proportion of these to the total varies considerably between provinces. Costs of such equipment are not related particularly to acreages and this would affect the cost per acre comparisons between provinces. However, since much of the machinery and equipment is used for crop production it was considered useful to show the costs on a per acre basis.

Two significant aspects of machinery costs in Canada are evident in Chart 3. In the first place the rise in machinery costs per acre in Canada has been significant over the period, but at the same time, in relation to the rise in prices of other commodities and services used by farmers, it has been moderate. In the second place there are wide differences between provinces in the extent to which this cost increase has taken place. Thus, although in the prairie provinces the costs have more than doubled, they have not risen as much as elsewhere. In the central provinces the increase has been more substantial while in Nova Scotia and British Columbia the increase has been extreme. To some extent these differences represent a situation where a considerable amount of mechanization had taken place in the Prairie Provinces before 1946 and consequently the increase in machinery costs has not been as great since that time. It also, however, reflects changes in farm organization that have taken place in certain regions which have had the effect of counteracting the effects of increased costs on individual farms. Thus, in the prairie areas particularly, increases in sizes of farms tended to reduce per acre costs. This is particularly true in the case of machinery use which is generally more efficient on larger units. The greatly increased expenditures per farm for machinery are a result of increased farm size as well as of increased per acre costs.

Differences in costs per acre between regions reflects differences in the types of farming that are practised in these areas. In the prairie areas, for example, an extensive type of agriculture is generally practised, and costs and returns per acre are lower than in many other regions where agriculture is more intensively practised. There are differences, too, in the proportion of total costs represented by machinery costs. The relative impact of increased machinery costs on incomes of farmers between regions is therefore not necessarily directly related to the level of per acre costs or to the size of the increase since 1946.

Chart 3(a).—Machinery Operating Expense Including Depreciation per Crop and Summerfallow Acre for Canada and Provinces, 1946-1959

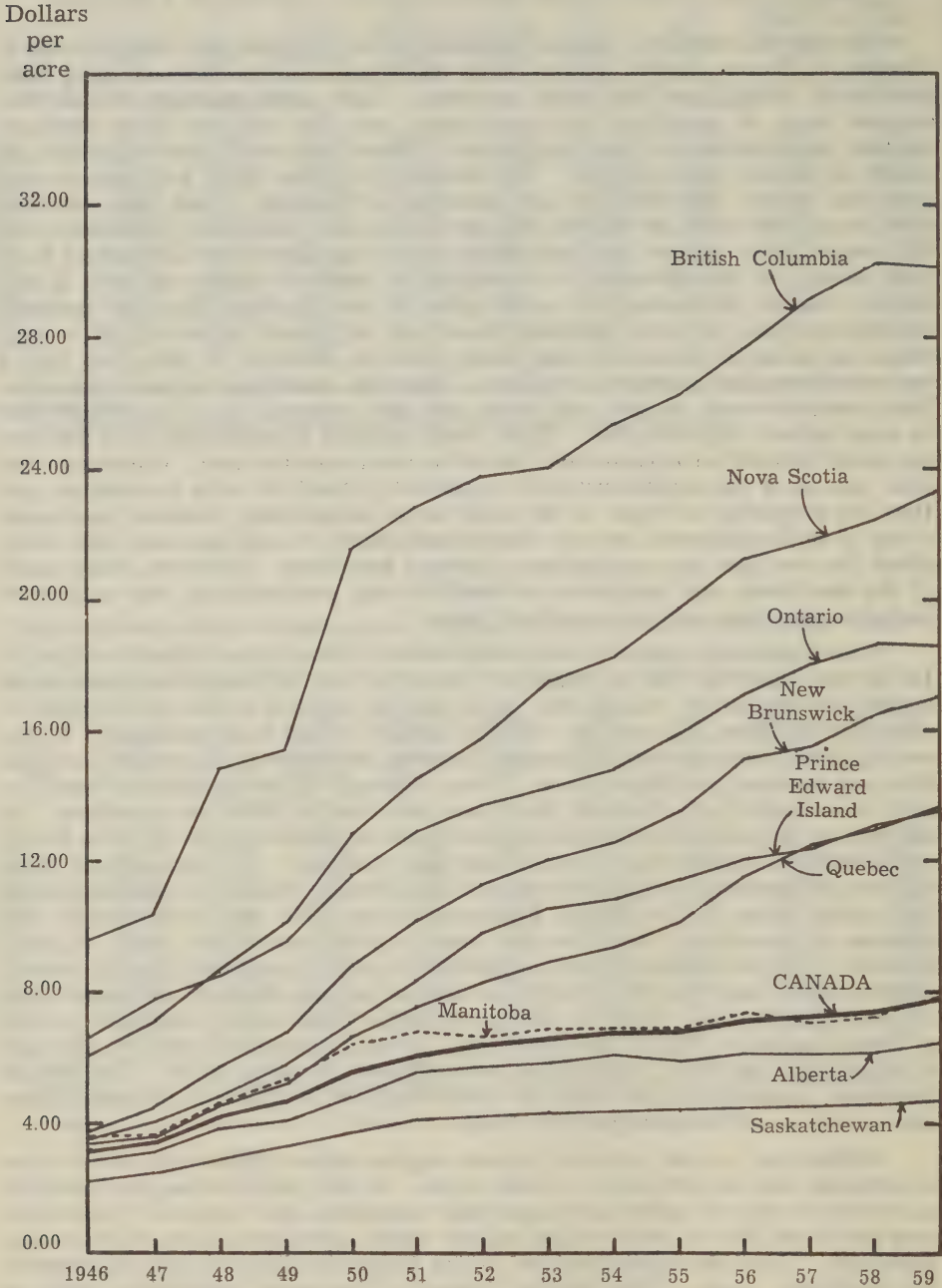


Chart 3(b).—Machinery Operating Expense excluding Depreciation per Crop and Summerfallow Acre for Canada and Provinces, 1946-1959

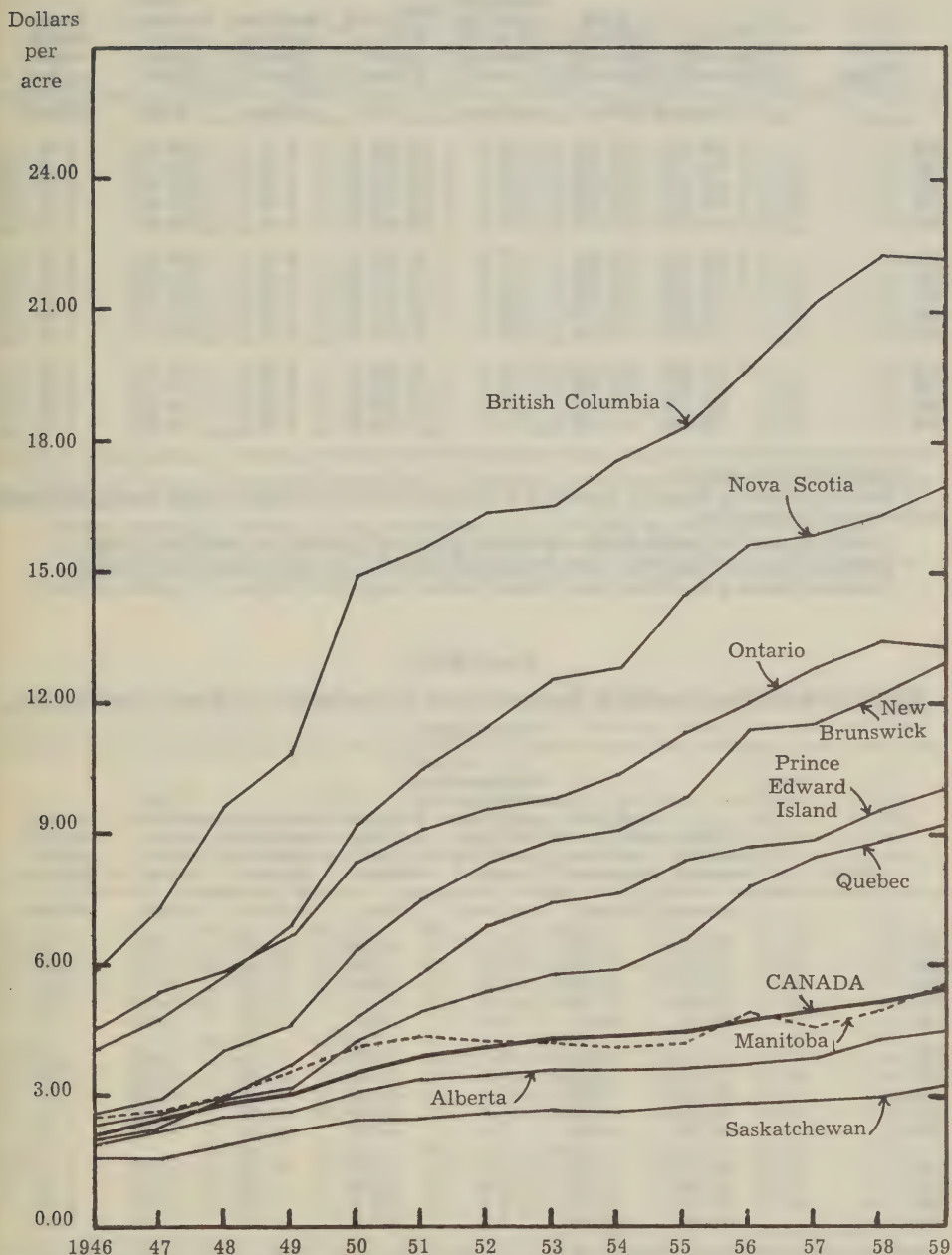


TABLE 3(a)

Canada^a—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{b, c}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^d	Machinery operating expense per acre	Total machinery depreciation costs ^e	Depreciation costs per acre
	-thousand dollars-		-per cent-	- '000-	-dollars-	-\$ '000-	-dollars-
1959.....	1,598,747	453,112	28.3	85,290.8	5.31	199,138	2.42
1958.....	1,508,766	438,703	29.1	85,422.0	5.14	199,018	2.33
1957.....	1,421,090	419,549	29.5	85,764.8	4.89	201,869	2.35
1956.....	1,452,347	404,634	27.9	85,483.5	4.73	202,481	2.37
1955.....	1,349,071	375,132	27.8	85,206.4	4.40	205,448	2.41
1954.....	1,293,800	360,587	27.9	85,328.1	4.23	209,447	2.45
1953.....	1,286,189	355,626	27.6	84,510.2	4.21	201,006	2.38
1952.....	1,320,033	339,823	25.7	83,341.2	4.08	190,389	2.28
1951.....	1,232,250	323,740	26.3	82,473.1	3.93	181,129	2.20
1950.....	1,112,975	296,364	26.6	81,670.5	3.63	157,129	1.92
1949.....	1,027,014	248,153	24.2	81,053.4	3.06	131,416	1.62
1948.....	997,859	220,449	22.1	79,402.9	2.78	110,236	1.39
1947.....	906,486	179,662	19.8	78,953.9	2.28	94,089	1.99
1946.....	784,534	162,677	20.7	77,709.3	2.09	82,630	1.06

^a Excludes Newfoundland.^b Dominion Bureau of Statistics, Handbook of Agricultural Statistics Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.^c Includes expenses for tractor, truck, automobile, engine and combine and machinery repairs.^d Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (Tame pasture not included).^e Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division. Unpublished data.

TABLE 3(b)

British Columbia—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, b}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-		-per cent-	- '000-	-dollars-	-\$ '000-	-dollars-
1959.....	76,814	13,293	17.3	600.9	22.12	4,764	7.93
1958.....	72,107	13,080	18.1	588.4	22.23	4,742	8.06
1957.....	67,824	12,546	18.5	593.2	21.15	4,750	8.01
1956.....	68,096	11,530	16.9	555.2	19.70	4,650	7.95
1955.....	63,454	10,691	16.9	580.0	18.43	4,513	7.78
1954.....	61,131	9,844	16.1	564.0	17.45	4,466	7.92
1953.....	57,604	9,670	16.8	585.3	16.52	4,388	7.50
1952.....	56,630	9,525	16.8	581.2	16.39	4,258	7.33
1951.....	53,428	8,979	16.8	574.5	15.63	4,113	7.16
1950.....	49,157	8,541	17.4	571.6	14.94	3,755	6.57
1949.....	45,747	6,222	13.6	576.7	10.79	3,238	5.61
1948.....	46,048	5,238	11.4	536.4	9.77	2,738	5.10
1947.....	41,761	4,012	9.6	558.8	7.18	2,345	4.20
1946.....	35,468	3,294	9.3	549.9	5.99	2,024	3.68

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics, Part II—Farm Income 1926-1957 and Farm Net Income, 1959.^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division. Unpublished data.

TABLE 3(c)

Alberta—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, b}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-		-per cent-	-'000	-dollars-	-\$'000-	-dollars-
1959.....	220,210	95,138	43.2	21,575.3	4.41	44,435	2.06
1958.....	210,362	91,497	43.5	21,470.3	4.26	44,207	2.06
1957.....	195,689	85,288	43.6	21,490.8	3.97	45,009	2.09
1956.....	202,191	84,631	41.9	21,556.1	3.93	45,738	2.12
1955.....	192,259	79,849	41.5	21,306.6	3.75	47,050	2.21
1954.....	182,764	79,168	43.3	21,162.5	3.74	48,642	2.30
1953.....	191,062	76,864	40.2	20,811.4	3.69	46,921	2.25
1952.....	192,332	72,890	37.9	20,495.7	3.56	44,656	2.18
1951.....	182,030	69,355	38.1	20,321.1	3.41	42,900	2.11
1950.....	164,984	61,733	37.4	20,164.2	3.06	36,928	1.83
1949.....	150,245	51,605	34.4	19,990.4	2.58	30,657	1.53
1948.....	148,220	46,927	31.7	19,098.9	2.46	25,117	1.32
1947.....	132,991	38,669	29.1	18,954.0	2.04	20,860	1.10
1946.....	114,597	34,769	30.3	18,801.0	1.85	17,964	0.96

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics, Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.

^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16 (tame pasture not included).

^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division, Unpublished data.

TABLE 3(d)

Saskatchewan—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, b}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-		-per cent-	-'000-	-dollars-	-\$'000-	-dollars-
1959.....	250,689	120,829	48.2	38,403.7	3.15	56,859	1.48
1958.....	241,337	116,041	48.1	38,602.1	3.01	58,324	1.51
1957.....	235,665	113,460	48.1	38,684.5	2.93	60,689	1.57
1956.....	243,835	108,358	44.4	38,483.0	2.82	62,048	1.61
1955.....	229,435	100,845	44.0	38,168.9	2.64	64,726	1.70
1954.....	207,379	97,576	47.1	38,038.9	2.57	67,093	1.76
1953.....	232,244	97,193	41.9	37,488.9	2.59	63,277	1.69
1952.....	245,403	92,432	37.7	36,764.0	2.51	59,663	1.64
1951.....	223,908	88,336	39.5	36,385.2	2.43	57,821	1.60
1950.....	205,439	84,930	41.3	36,175.7	2.35	49,455	1.40
1949.....	190,333	75,972	39.9	35,356.5	2.15	40,971	1.17
1948.....	180,750	68,017	37.6	35,017.4	1.94	33,880	0.79
1947.....	164,271	56,265	34.3	34,770.0	1.62	28,355	0.82
1946.....	149,749	51,874	34.6	34,127.9	1.52	24,581	0.71

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics, Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.

^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).

^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division, Unpublished data.

TABLE 3(e)

Manitoba—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, c}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-		-per cent	-'000-	-dollars-	-\$'000-	-dollars-
1959.....	117,752	55,523	47.2	10,416.1	5.33	25,017	2.41
1958.....	110,686	50,591	45.7	10,424.7	4.85	25,442	2.42
1957.....	104,921	47,989	45.7	10,589.0	4.53	26,368	2.53
1956.....	110,313	49,752	45.1	10,435.2	4.77	26,826	2.57
1955.....	99,325	43,323	43.6	10,361.1	4.18	27,782	2.68
1954.....	99,091	43,005	43.4	10,344.7	4.16	28,874	2.79
1953.....	102,653	43,149	42.0	10,278.0	4.20	28,218	2.74
1952.....	105,368	41,895	39.8	10,124.8	4.14	26,946	2.66
1951.....	103,771	41,760	40.2	9,787.2	4.27	25,498	2.60
1950.....	97,620	38,603	39.5	9,348.3	4.13	22,115	2.36
1949.....	90,999	33,612	36.9	9,513.3	3.53	17,275	1.82
1948.....	86,333	28,560	33.1	9,238.9	3.09	14,122	1.53
1947.....	75,066	23,404	31.2	9,173.3	2.55	11,912	1.30
1946.....	66,091	21,637	32.7	8,928.8	2.42	10,383	1.16

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics, Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.

^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).

^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division, Unpublished data.

TABLE 3(f)

Ontario—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, b}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-		-per cent-	-'000-	-dollars-	-\$'000-	-dollars-
1959.....	566,254	102,943	18.2	7,750.0	13.28	41,475	5.35
1958.....	531,309	104,385	19.6	7,763.3	13.45	40,644	5.24
1957.....	504,464	100,518	19.9	7,820.0	12.85	40,168	5.14
1956.....	506,681	93,813	18.5	7,791.8	12.04	39,188	5.03
1955.....	469,754	90,366	19.2	8,060.7	11.21	38,116	4.73
1954.....	456,049	86,271	18.9	8,297.8	10.40	37,372	4.50
1953.....	432,936	83,502	19.3	8,376.6	9.97	36,014	4.30
1952.....	438,625	80,530	18.4	8,324.6	9.67	34,002	4.08
1951.....	411,043	75,981	18.5	8,274.8	9.18	31,169	3.77
1950.....	370,901	68,148	18.4	8,171.8	8.34	27,255	3.34
1949.....	336,734	54,792	16.3	8,209.3	6.67	23,491	2.86
1948.....	327,705	48,328	14.8	8,079.0	5.98	20,362	2.52
1947.....	292,083	39,056	13.4	7,280.5	5.36	18,018	2.47
1946.....	249,838	34,514	13.8	7,552.7	4.04	16,276	2.15

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics, Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.

^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).

^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division, Unpublished data.

TABLE 3(g)

Quebec—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, b}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-	-thousand dollars-	-per cent-	-'000-	-dollars-	-\$'000-	-dollars-
1959.....	283,639	47,719	16.8	5,202.3	9.17	2,331	4.48
1958.....	263,713	45,925	17.4	5,210.4	8.81	2,336	4.14
1957.....	237,689	43,877	18.5	5,217.4	8.41	2,357	4.07
1956.....	242,960	40,335	16.6	5,240.0	7.70	2,282	3.83
1955.....	220,216	34,821	15.8	5,354.4	6.50	2,222	3.59
1954.....	215,017	32,397	15.1	5,458.8	5.93	2,210	3.46
1953.....	197,498	31,266	15.8	5,484.8	5.70	2,143	3.29
1952.....	208,953	29,232	14.0	5,543.0	5.27	1,983	2.98
1951.....	192,144	27,154	14.1	5,582.2	4.86	1,888	2.74
1950.....	166,481	23,501	14.1	5,613.4	4.19	1,713	2.38
1949.....	156,490	17,717	11.4	5,766.5	3.07	1,546	2.07
1948.....	152,475	16,109	10.6	5,735.8	2.81	1,369	1.77
1947.....	147,783	12,395	8.4	5,814.4	2.13	1,225	1.52
1946.....	123,331	11,517	9.3	5,968.2	1.93	1,094	1.32

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics, Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.

^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).

^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division, Unpublished data.

TABLE 3(h)

New Brunswick—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, b}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-	-thousand dollars-	-per cent-	-'000-	-dollars-	-\$'000-	-dollars-
1959.....	32,425	7,241	22.3	562.3	12.88	2,331	4.15
1958.....	31,073	6,970	22.4	564.8	12.34	2,336	4.14
1957.....	29,358	6,616	22.5	579.3	11.42	2,357	4.07
1956.....	30,926	6,687	21.6	595.4	11.23	2,282	3.83
1955.....	29,209	6,173	21.1	618.5	9.98	2,222	3.59
1954.....	28,276	5,872	20.8	638.7	9.19	2,210	3.46
1953.....	28,920	5,730	19.8	651.0	8.80	2,143	3.29
1952.....	29,297	5,571	19.0	666.5	8.36	1,983	2.98
1951.....	26,530	5,179	19.5	689.8	7.51	1,888	2.74
1950.....	23,796	4,601	19.3	719.7	6.39	1,713	2.38
1949.....	22,514	3,469	15.4	746.2	4.65	1,546	2.07
1948.....	22,379	3,107	13.9	774.2	4.01	1,369	1.77
1947.....	20,678	2,396	11.6	806.3	2.97	1,225	1.52
1946.....	17,859	2,041	11.4	828.8	2.46	1,094	1.32

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics, Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.

^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).

^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division, Unpublished data.

TABLE 3(j)

Nova Scotia—Operating Expenses and Depreciation of Farm Machinery, 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, b}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-		-per cent-	-'000-	-dollars-	-\$'000-	-dollars-
1959.....	33,759	6,351	18.8	372.5	17.05	2,317	6.22
1958.....	31,430	6,201	19.7	379.0	16.36	2,278	6.01
1957.....	29,783	6,053	20.3	379.4	15.95	2,254	5.94
1956.....	31,246	5,940	19.0	383.2	15.50	2,168	5.66
1955.....	29,549	5,613	19.0	391.6	14.33	2,110	5.39
1954.....	29,123	5,218	17.9	401.9	12.98	2,100	5.22
1953.....	28,457	5,142	18.1	408.3	12.59	2,003	4.90
1952.....	28,617	4,895	17.1	428.6	11.42	1,855	4.33
1951.....	26,933	4,583	17.0	436.6	10.50	1,766	4.04
1950.....	23,082	4,164	18.0	447.2	9.31	1,610	3.60
1949.....	22,536	3,180	14.1	457.1	6.96	1,461	3.20
1948.....	22,579	2,831	12.5	482.5	5.87	1,301	2.70
1947.....	21,792	2,410	11.1	506.4	4.76	1,172	2.31
1946.....	18,823	2,107	11.2	515.8	4.09	1,053	2.04

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.

^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).

^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division, Unpublished data.

TABLE 3(k)

Prince Edward Island—Operating Expenses and Depreciation of Farm Machinery 1946-1959

Year	Total operating expenses ^a	Total machinery operating expenses ^{a, b}	Machinery expense as a per cent of total operating costs	Crop and summer-fallow acreage ^c	Machinery operating expense per acre	Total machinery depreciation costs ^d	Depreciation costs per acre
	-thousand dollars-		-per cent-	-'000-	-dollars-	-\$'000-	-dollars-
1959.....	17,212	4,075	23.7	407.6	10.00	1,434	3.52
1958.....	16,749	3,977	23.8	415.3	9.58	1,425	3.43
1957.....	15,697	3,652	23.3	411.2	8.88	1,425	3.46
1956.....	16,099	3,595	22.3	413.7	8.69	1,400	3.38
1955.....	15,870	3,451	21.6	420.4	8.21	1,362	3.24
1954.....	14,970	3,236	21.6	420.9	7.69	1,356	3.22
1953.....	14,815	3,110	21.0	415.9	7.48	1,293	3.10
1952.....	14,808	2,853	19.3	412.8	6.91	1,196	2.90
1951.....	12,463	2,413	19.4	421.7	5.72	1,136	2.69
1950.....	11,515	2,143	18.6	445.7	4.81	1,026	2.30
1949.....	11,416	1,584	13.9	436.4	3.63	919	2.10
1948.....	11,370	1,332	11.7	439.7	3.03	808	1.84
1947.....	10,061	1,055	10.5	440.5	2.40	717	1.63
1946.....	8,778	924	10.5	436.3	2.12	634	1.45

^a Dominion Bureau of Statistics, Handbook of Agricultural Statistics, Part II—Farm Income, 1926-1957 and Farm Net Income, 1959.

^b Includes expenses for tractor, trucks, automobile, engine and combine and machinery repairs.

^c Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).

^d Dominion Bureau of Statistics, Farm Finance Section, Agriculture Division, Unpublished data.

THE INVESTMENT IN FARM MACHINERY AND IMPLEMENTS IN CANADA

The total value of machinery on farms is examined in this section to show the amount of investment or overhead that it represents on the farms of Canada. This machinery investment is shown on a per acre basis since the crop and summerfallow acreages have also increased over the period under review. In terms of machinery overhead on Canadian farms, two significant aspects may be observed from Chart 4. In the first place for the country as a whole the machinery overhead per acre has tended to remain fairly constant since 1951. At the same time there are again wide regional differences in the amount of machinery overhead required in different parts of the country. Thus, in the prairie provinces machinery overhead actually has declined over recent years. This again reflects changes in farm organization and machinery use which are taking place in this area. The central provinces and the maritimes on the other hand, show consistent and significant increases in machinery investment per acre over the whole period under review, while the increases in British Columbia particularly before 1954 have been extreme. This also indicates that mechanization developed at different times in the various regions. Fluctuations in incomes also have an effect on the timing and extent of machinery purchases.

Chart 4.—Value of Machinery and Implements per Crop and Summerfallow Acre for Canada and Provinces, 1946-1959

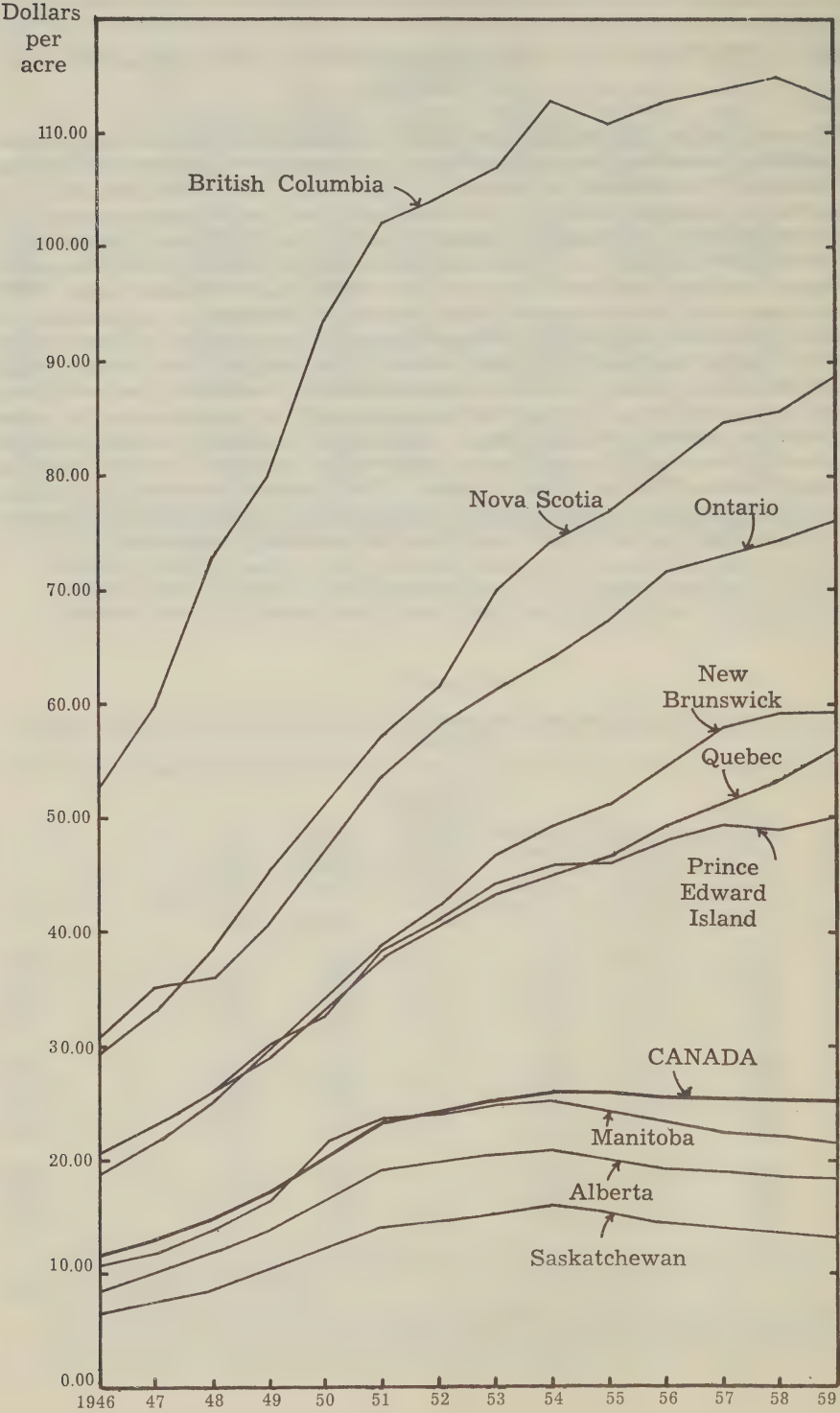


TABLE 4(a)

Canada—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements ^a	Crop and summerfallow acreage ^b	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	2,188,671	85,290.9	25.66
1958.....	2,177,611	85,422.0	25.49
1957.....	2,197,775	85,764.8	25.62
1956.....	2,193,297	85,483.5	25.66
1955.....	2,210,000	85,206.4	25.94
1954.....	2,240,868	85,328.1	26.26
1953.....	2,152,463	84,510.2	25.47
1952.....	2,037,947	83,341.2	24.45
1951.....	1,931,880	82,473.1	23.42
1950.....	1,681,075	81,670.5	20.58
1949.....	1,415,546	81,053.4	17.46
1948.....	1,194,947	79,402.9	15.05
1947.....	1,026,573	78,953.9	13.00
1946.....	905,491	77,709.3	11.65

^a Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January-March 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16 (tame pasture not included).

TABLE 4(b)

British Columbia—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements*	Crop and summerfallow acreage†	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	68,061	600.9	113.26
1958.....	67,747	588.4	115.14
1957.....	67,857	593.2	114.39
1956.....	66,286	585.2	113.27
1955.....	64,475	580.0	111.16
1954.....	63,801	564.0	113.12
1953.....	62,690	585.3	107.11
1952.....	60,824	581.2	104.65
1951.....	58,760	574.5	102.28
1950.....	53,646	571.6	93.85
1949.....	46,262	576.7	80.22
1948.....	39,119	536.4	72.93
1947.....	33,493	558.8	59.94
1946.....	28,921	549.9	52.59

* Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January-March 1959.

† Dominion Bureau of Statistics. Crop Reporting Series, No. 16 (tame pasture not included).

TABLE 4(c)

Alberta—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements*	Crop and summerfallow acreage†	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	403,952	21,575.3	18.72
1958.....	401,886	21,470.3	18.72
1957.....	409,169	21,490.8	19.04
1956.....	415,802	21,556.1	19.29
1955.....	427,729	21,306.6	20.07
1954.....	442,203	21,162.5	20.90
1953.....	426,559	20,811.4	20.50
1952.....	405,965	20,945.7	19.81
1951.....	390,003	20,321.1	19.19
1950.....	335,705	20,174.2	16.64
1949.....	278,704	19,990.4	13.94
1948.....	228,332	19,098.9	11.96
1947.....	189,633	18,954.0	10.00
1946.....	163,310	18,801.0	8.69

* Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics," January-March 1959.

† Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (tame pasture not included).

TABLE 4(d)

Saskatchewan—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements*	Crop and summerfallow acreage†	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	516,903	38,403.7	13.46
1958.....	530,221	38,602.1	13.74
1957.....	551,719	38,684.5	14.26
1956.....	564,073	38,483.0	14.66
1955.....	588,417	38,168.9	15.42
1954.....	609,934	38,038.9	16.03
1953.....	575,244	37,488.9	15.34
1952.....	542,395	36,764.0	14.75
1951.....	525,645	36,385.2	14.45
1950.....	449,591	36,175.7	12.43
1949.....	372,463	35,356.5	10.53
1948.....	308,000	35,017.4	8.80
1947.....	257,769	34,770.0	7.41
1946.....	223,463	34,127.9	6.55

* Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January—March 1959.

† Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (tame pasture not included).

TABLE 4(e)

Manitoba—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements*	Crop and summerfallow acreage†	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	227,426	10,416.1	21.83
1958.....	231,289	10,424.7	22.19
1957.....	239,713	10,589.0	22.64
1956.....	243,871	10,435.2	23.37
1955.....	252,564	10,361.1	24.38
1954.....	262,489	10,344.7	25.37
1953.....	256,524	10,278.0	24.96
1952.....	244,960	10,124.8	24.19
1951.....	231,801	9,787.2	23.68
1950.....	201,041	9,348.3	21.50
1949.....	157,043	9,513.3	16.51
1948.....	128,382	9,238.9	13.90
1947.....	108,294	9,173.3	11.80
1946.....	94,394	8,928.8	10.57

* Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January—March 1959.

† Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (tame pasture not included).

TABLE 4(f)

Ontario—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements*	Crop and summerfallow acreage ^b	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	592,496	7,750.0	76.45
1958.....	579,907	7,763.3	74.70
1957.....	572,965	7,820.0	73.27
1956.....	559,834	7,791.8	71.85
1955.....	544,512	8,060.7	67.55
1954.....	533,884	8,297.8	64.34
1953.....	514,480	8,376.6	61.42
1952.....	485,739	8,324.6	58.35
1951.....	445,278	8,274.8	53.81
1950.....	389,352	8,171.8	47.64
1949.....	335,569	8,209.3	40.88
1948.....	290,879	8,079.0	36.00
1947.....	257,402	7,280.5	35.35
1946.....	232,517	7,552.7	30.78

^a Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January—March 1959

^b Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (tame pasture not included).

TABLE 4(g)

Quebec—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements ^a	Crop and summerfallow acreage ^b	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	292,950	5,202.3	56.31
1958.....	280,291	5,210.4	53.79
1957.....	270,124	5,217.4	51.77
1956.....	259,870	5,240.0	49.59
1955.....	250,957	5,354.4	46.87
1954.....	247,629	5,458.8	45.36
1953.....	239,272	5,484.8	43.62
1952.....	226,145	5,543.0	40.80
1951.....	211,937	5,582.2	37.97
1950.....	189,607	5,613.4	33.78
1949.....	169,413	5,766.5	29.38
1948.....	150,561	5,735.8	26.25
1947.....	135,505	5,814.4	23.30
1946.....	123,153	5,968.2	20.63

^a Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January—March, 1959.^b Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (tame pasture not included).

TABLE 4(h)

New Brunswick—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements ^a	Crop and summerfallow acreage ^b	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	33,303	562.3	59.23
1958.....	33,377	564.8	59.10
1957.....	33,607	579.3	58.12
1956.....	32,601	595.4	54.75
1955.....	31,738	618.5	51.31
1954.....	31,552	638.7	49.40
1953.....	30,611	651.0	47.02
1952.....	28,335	666.5	42.51
1951.....	26,971	689.8	39.10
1950.....	24,475	719.7	34.01
1949.....	22,089	746.2	29.60
1948.....	19,555	774.2	25.26
1947.....	17,501	806.3	21.70
1946.....	15,631	828.8	18.86

^a Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January—March 1959.^b Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (tame pasture not included).

TABLE 4(j)

Nova Scotia—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements ^a	Crop and summerfallow acreage ^b	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	33,096	372.5	88.85
1958.....	32,539	379.0	85.85
1957.....	32,203	379.4	84.88
1956.....	30,965	383.2	80.81
1955.....	30,149	391.6	76.99
1954.....	30,009	401.9	74.67
1953.....	38,618	408.3	70.09
1952.....	26,496	428.6	61.82
1951.....	25,224	436.6	57.77
1950.....	23,005	447.2	51.44
1949.....	20,873	457.1	45.66
1948.....	18,582	482.5	38.51
1947.....	16,736	506.4	33.05
1946.....	15,049	515.8	29.18

^a Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January—March 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (tame pasture not included).

TABLE 4(k)

Prince Edward Island—Value of Farm Machinery and Implements, 1946-1959

Year	Total value of machinery and implements ^a	Crop and summerfallow acreage ^b	Machinery investment per acre
	-thousand dollars-	-'000-	-dollars-
1959.....	20,484	407.6	50.25
1958.....	20,354	415.3	49.01
1957.....	20,358	411.2	49.51
1956.....	19,995	413.7	48.33
1955.....	19,459	420.4	46.29
1954.....	19,367	420.9	46.01
1953.....	18,465	415.9	44.40
1952.....	17,088	412.8	41.40
1951.....	16,261	421.7	38.56
1950.....	14,653	445.7	32.88
1949.....	13,130	436.4	30.09
1948.....	11,537	439.7	26.24
1947.....	10,240	440.5	23.25
1946.....	9,053	436.3	20.75

^a Dominion Bureau of Statistics, "Quarterly Bulletin of Agricultural Statistics", January—March 1959.

^b Dominion Bureau of Statistics, Crop Reporting Series—No. 16 (tame pasture not included).

SALES OF FARM IMPLEMENTS AND EQUIPMENT AND REPAIR PARTS IN CANADA

Chart 5 and supporting tables shows the total implement and equipment sales including repair parts for Canada and each province for the period 1946-1959. These data indicate that total expenditures on machinery and repairs for Canada, as a whole, tends to move within a fairly narrow range. These expenditures increased a moderate amount during the period of 1946 to 1952, declined abruptly until 1954 and have increased slightly since that date.

The same regional differences have occurred with respect to machinery sales as was shown in the cases of per acre total machinery investment and machinery operating costs. Sales in the prairie provinces have been comparatively low with the central and maritime provinces in an intermediate position, and the sales of machinery per crop and summerfallow acre in British Columbia being shown at a significantly higher amount.

Sales of implements and repair parts tend to vary from year to year. This variation has long been recognized to be associated with variations in the net farm income of the respective year. While the change in sales over the period is not large, changes from year to year are, however, occasionally highly significant as a proportion of total sales.

Chart 5.—Total Implement and Equipment Sales (including repair parts)
per Crop and Summerfallow Acre for Canada and Provinces, 1946-1959

Dollars
per
acre

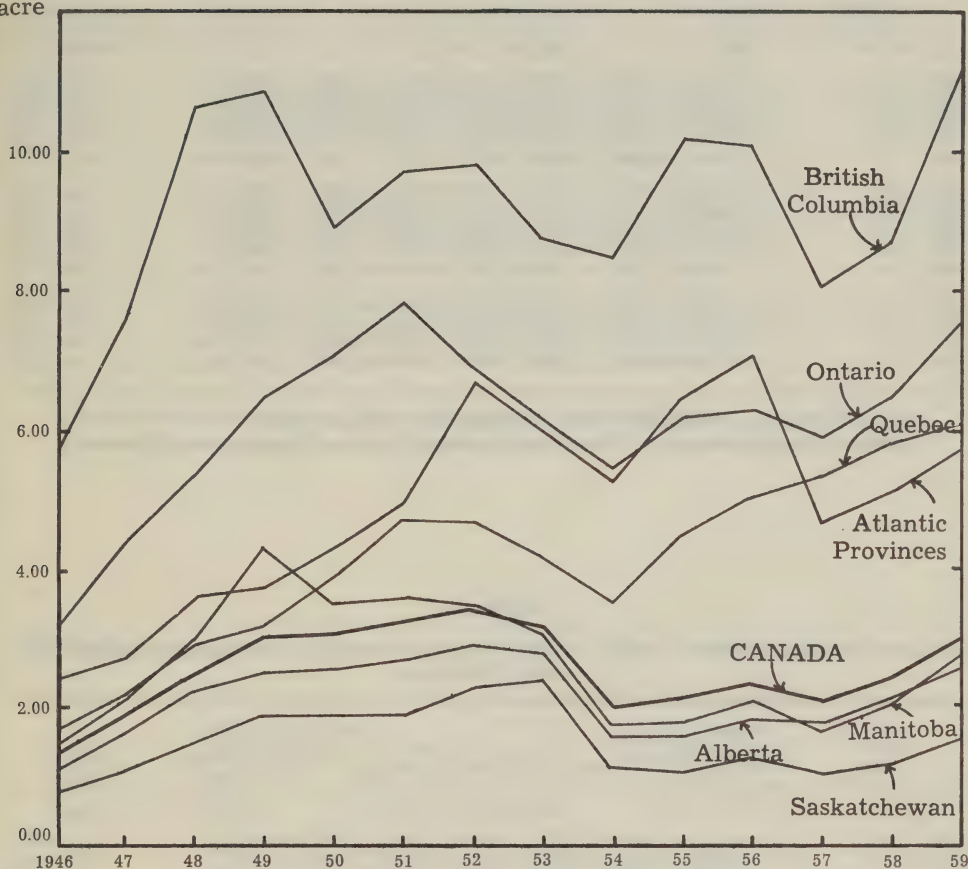


TABLE 5(a)

Canada—Farm Implement and Equipment Sales (including repairs and parts), 1946-1959

Year	Farm implement and equipment sales*	Repair parts sales*	Total	Crop and summerfallow acreage†	Total per acre
		-dollars-		-'000-	-dollars-
1959.....	212,231,369	38,887,438	251,118,817	85,290.8	2.94
1958.....	172,014,376	33,978,663	205,993,039	85,422.0	2.41
1957.....	149,901,593	33,820,056	183,721,649	85,764.8	2.14
1956.....	170,767,455	31,824,672	202,592,127	85,483.5	2.37
1955.....	153,124,434	28,451,964	181,576,398	85,206.4	2.13
1954.....	146,702,695	27,355,796	174,038,491	85,328.1	2.04
1953.....	238,050,354	31,818,818	269,869,172	84,510.2	3.19
1952.....	250,277,241	31,231,946	282,509,187	83,341.2	3.39
1951.....	235,620,345	28,772,869	264,393,214	82,473.1	3.20
1950.....	218,187,120	29,862,034	248,049,154	81,670.5	3.04
1949.....	217,089,685	28,104,505	245,194,190	81,053.4	3.02
1948.....	170,666,070	26,996,844	197,662,914	79,402.9	2.49
1947.....	122,394,742	23,276,162	145,670,904	78,953.9	1.84
1946.....	81,698,185	20,827,005	102,525,190	77,709.3	1.32

* Dominion Bureau of Statistics, "Farm Implement and Equipment Sales".

† Dominion Bureau of Statistics. Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 5(b)

British Columbia—Farm Implement and Equipment Sales (including repairs and parts), 1946-1959

Year	Farm implement and equipment sales*	Repair parts sales*	Total	Crop and summerfallow acreage†	Total per acre
		-dollars-		-'000-	-dollars-
1959.....	5,589,732	1,142,177	6,731,909	600.9	11.20
1958.....	4,146,080	977,362	5,123,442	588.4	8.71
1957.....	3,804,730	959,693	4,764,423	593.2	8.03
1956.....	5,092,745	803,434	5,896,179	585.2	10.08
1955.....	5,185,630	721,778	5,907,408	580.0	10.18
1954.....	4,215,248	600,091	4,815,339	564.0	8.54
1953.....	4,508,606	585,008	5,093,614	585.3	8.70
1952.....	5,021,983	688,777	5,710,760	581.2	9.82
1951.....	5,064,558	527,060	5,591,618	574.5	9.73
1950.....	4,125,132	951,829	5,076,961	571.6	8.88
1949.....	5,693,928	564,628	6,258,556	576.7	10.85
1948.....	5,221,816	490,276	5,712,092	536.4	10.65
1947.....	3,790,165	426,219	4,216,384	558.8	7.54
1946.....	2,798,574	309,511	3,108,085	549.9	5.65

* Dominion Bureau of Statistics, "Farm Implement and Equipment Sales".

† Dominion Bureau of Statistics. Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 5(c)

Alberta—Farm Implement and Equipment Sales (including repairs and parts),
1946-1959

Year	Farm implement and equipment sales*	Repair parts sales*	Total	Crop and summerfallow acreage†	Total per acre
		-dollars-		-'000-	-dollars-
1959.....	47,934,063	8,492,764	56,426,827	21,575.3	2.61
1958.....	37,943,736	7,560,969	45,504,705	21,470.3	2.12
1957.....	30,934,663	7,278,914	38,213,577	21,490.8	1.78
1956.....	32,686,198	6,990,800	39,676,998	21,556.1	1.84
1955.....	28,065,645	6,314,449	34,380,094	21,306.6	1.61
1954.....	28,017,559	6,025,669	34,043,228	21,162.5	1.61
1953.....	51,302,523	7,457,431	58,759,954	20,811.4	2.82
1952.....	53,505,361	7,378,116	60,883,477	20,495.7	2.97
1951.....	48,267,092	6,820,867	55,087,959	20,321.1	2.71
1950.....	45,117,409	7,186,798	52,304,207	20,174.2	2.59
1949.....	44,459,129	6,724,015	51,183,144	19,990.4	2.56
1948.....	36,748,138	6,754,060	43,502,198	19,098.9	2.28
1947.....	25,953,168	5,615,266	31,568,434	18,954.0	1.66
1946.....	15,698,660	4,821,057	20,519,717	18,801.0	1.09

* Dominion Bureau of Statistics, "Farm Implement and Equipment Sales".

† Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 5(d)

Saskatchewan—Farm Implement and Equipment Sales (including repair parts),
1946-1959

Year	Farm implement and equipment sales ^a	Repair parts sales ^a	Total	Crop and summerfallow acreage ^b	Total per acre
		-dollars-		-'000-	-dollars-
1959.....	50,520,529	10,876,455	61,396,984	38,403.7	1.60
1958.....	36,905,208	9,516,116	46,421,324	38,602.1	1.20
1957.....	32,137,391	9,430,614	41,568,005	38,684.5	1.07
1956.....	40,748,641	9,355,538	50,104,179	38,483.0	1.30
1955.....	32,435,199	7,893,314	40,328,513	38,168.9	1.06
1954.....	37,371,962	7,899,989	45,271,951	38,038.9	1.19
1953.....	80,333,503	10,104,946	90,438,449	37,488.9	2.41
1952.....	75,859,527	9,762,610	85,622,137	36,764.0	2.33
1951.....	61,147,757	8,230,364	69,378,121	36,885.2	1.91
1950.....	62,629,271	8,035,003	70,664,274	36,175.7	1.95
1949.....	59,629,464	8,939,587	68,569,051	35,356.5	1.94
1948.....	46,505,877	8,362,667	54,868,544	35,017.4	1.57
1947.....	33,382,699	7,407,977	40,790,676	34,770.0	1.17
1946.....	20,308,054	7,348,265	27,656,319	34,127.9	0.81

^a Dominion Bureau of Statistics, "Farm Implement and Equipment Sales".

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(tame pasture not included).

TABLE 5(e)

Manitoba—Farm Implement and Equipment Sales (including repair parts), 1946-1959

Year	Farm implement and equipment sales ^a	Repair parts sales ^a	Total	Crop and summerfallow acreage ^b	Total per acre
		-dollars-		-'000-	-dollars-
1959.....	24,081,680	4,490,250	28,571,930	10,416.1	2.74
1958.....	17,694,803	3,835,412	21,530,215	10,424.7	2.06
1957.....	14,713,559	3,985,737	18,699,296	10,589.0	1.76
1956.....	18,588,098	3,944,453	22,532,551	10,435.2	2.16
1955.....	15,074,611	3,535,101	18,609,712	10,361.1	1.80
1954.....	15,538,264	3,315,757	18,854,021	10,344.7	1.82
1953.....	28,030,312	3,963,885	31,994,197	10,278.0	3.11
1952.....	31,578,047	3,809,424	35,387,471	10,124.8	3.50
1951.....	31,698,984	3,802,524	35,501,508	9,787.2	3.63
1950.....	29,308,664	3,801,813	33,110,477	9,348.3	3.54
1949.....	37,474,620	4,143,931	41,618,551	9,513.3	4.37
1948.....	23,369,284	3,908,708	27,277,992	9,238.9	2.95
1947.....	15,583,121	3,456,574	19,039,695	9,173.3	2.08
1946.....	9,987,683	2,999,607	12,987,290	8,928.8	1.45

^a Dominion Bureau of Statistics, "Farm Implement and Equipment Sales."^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 5(f)

Ontario—Farm Implement and Equipment Sales (including repair parts), 1946-1959

Year	Farm implement and equipment sales ^a	Repair parts sales ^a	Total	Crop and summerfallow acreage ^b	Total per acre
		-dollars-		-'000-	-dollars-
1959.....	50,591,586	8,019,939	58,611,525	7,750.0	7.56
1958.....	43,058,467	7,001,765	50,060,232	7,763.3	6.45
1957.....	39,173,706	6,978,519	46,152,225	7,820.0	5.90
1956.....	42,902,342	6,363,550	49,265,892	7,791.8	6.32
1955.....	43,819,906	6,233,131	50,050,037	8,060.7	6.21
1954.....	39,360,291	6,008,045	45,368,336	8,297.8	5.47
1953.....	45,442,835	6,091,975	51,534,810	8,376.6	6.15
1952.....	51,448,643	6,165,581	57,614,224	8,324.6	6.92
1951.....	58,736,885	6,166,312	64,903,197	8,274.8	7.84
1950.....	51,922,436	6,038,045	57,960,481	8,171.8	7.09
1949.....	47,775,991	5,182,703	52,958,694	8,209.3	6.45
1948.....	38,453,369	4,995,751	43,449,120	8,079.0	5.38
1947.....	28,036,903	4,299,526	32,336,429	7,280.5	4.44
1946.....	20,268,580	3,481,051	23,749,631	7,552.7	3.14

^a Dominion Bureau of Statistics, "Farm Implement and Equipment Sales".^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 5(g)

Quebec—Farm Implement and Equipment Sales (including repair parts), 1946-1959

Year	Farm implement and equipment sales ^a	Repair parts sales ^a	Total	Crop and summerfallow acreage ^b	Total per acre
		-dollars-		-'000-	-dollars-
1959.....	27,030,562	4,567,515	31,688,077	5,202.3	6.09
1958.....	26,468,820	3,986,515	30,455,335	5,210.4	5.84
1957.....	23,841,645	4,113,305	27,954,950	5,217.4	5.36
1956.....	23,325,374	3,305,064	26,630,438	5,240.0	5.08
1955.....	21,713,939	2,740,685	24,454,624	5,354.4	4.57
1954.....	16,942,850	2,513,373	19,456,223	5,458.8	3.56
1953.....	20,587,165	2,632,097	23,219,262	5,484.8	4.23
1952.....	23,745,129	2,446,112	26,191,241	5,543.0	4.72
1951.....	23,816,008	2,424,565	26,240,573	5,582.2	4.70
1950.....	19,137,999	2,746,377	21,884,376	5,613.4	3.90
1949.....	16,657,442	1,837,644	18,495,086	5,766.5	3.21
1948.....	14,906,555	1,825,560	16,732,115	5,735.8	2.92
1947.....	11,361,856	1,502,688	12,864,544	5,814.4	2.21
1946.....	8,867,989	1,362,486	10,230,475	5,968.2	1.71

^a Dominion Bureau of Statistics. "Farm Implement and Equipment Sales."

^b Dominion Bureau of Statistics. Crop Reporting Series, No. 16—(Tame pasture not included).

TABLE 5(h)

Atlantic Provinces—Farm Implement and Equipment Sales (including repair parts), 1946-1959

Year	Farm implement and equipment sales ^a	Repair parts sales ^a	Total	Crop and summerfallow acreage ^b	Total per acre
		-dollars-		-'000-	-dollars-
1959.....	6,482,227	1,209,338	7,691,565	1,341.8	5.73
1958.....	5,797,262	1,100,524	6,897,786	1,359.1	5.08
1957.....	5,295,899	1,073,274	6,369,173	1,369.0	4.65
1956.....	7,424,057	1,061,833	8,485,890	1,392.3	6.09
1955.....	6,829,504	1,013,506	7,843,010	1,430.5	5.48
1954.....	5,256,521	972,872	6,229,393	1,461.5	4.26
1953.....	7,845,410	983,476	8,828,886	1,475.2	5.98
1952.....	9,118,551	981,326	10,099,877	1,507.9	6.70
1951.....	6,889,061	801,177	7,690,238	1,548.1	4.97
1950.....	5,946,209	1,102,169	7,048,378	1,612.6	4.37
1949.....	5,399,111	711,997	6,111,108	1,639.7	3.73
1948.....	5,461,031	659,822	6,120,853	1,696.4	3.61
1947.....	4,286,830	567,912	4,854,742	1,753.2	2.77
1946.....	3,768,645	505,027	4,273,672	1,780.9	2.40

^a Dominion Bureau of Statistics, "Farm Implement and Equipment Sales".

^b Dominion Bureau of Statistics, Crop Reporting Series, No. 16—(Tame pasture not included).

THE PRODUCTION, DOMESTIC SALES, IMPORTS AND EXPORTS IN THE FARM MACHINERY INDUSTRY IN CANADA

Charts 6 and 7 give a preliminary outline of the structure of farm machinery industry in Canada and of the nature of the Canadian market for machinery. Chart 6 indicates that since about 1948 a substantial proportion of Canadian produced farm machinery has been exported. At the same time, as indicated by Chart 7, a large proportion of machinery sales in Canada consists of imported machines. It has been recognized that there is the tendency of some manufacturing companies to specialize in the production of certain of their lines of machines in Canada and of certain other lines in other countries.

Chart 6.—Value of Machinery Production in Canada, Exports plus Domestic Sales per Crop and Summerfallow Acre, 1946–1958

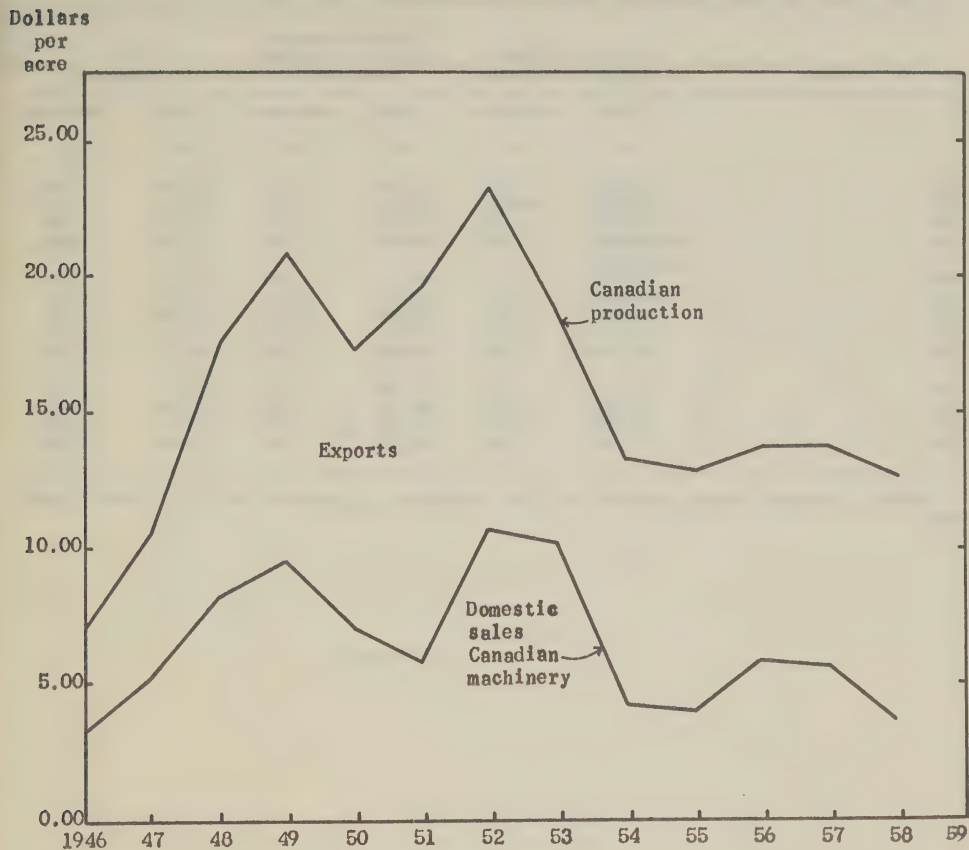


TABLE 6

Value of Machinery Produced in Canada, Domestic Sales of Canadian Origin, and Exports, 1946-1958

Year	Total machinery produced in Canada		Domestic sales of Canadian produced machinery		Exports	
	-'000-	-per acre-	-'000-	-per acre-	-'000-	-per acre-
	\$	\$	\$	\$	\$	\$
1958.....	129,088	15.11	31,494	3.69	97,594	11.42
1957.....	117,896	13.75	48,220	5.62	69,676	8.12
1956.....	117,656	13.76	50,179	5.87	67,477	7.89
1955.....	109,701	12.87	33,691	3.95	76,010	8.92
1954.....	113,089	13.25	36,318	4.26	76,771	9.00
1953.....	159,851	18.69	85,535	10.12	74,316	8.69
1952.....	194,688	23.36	89,280	10.71	105,408	12.65
1951.....	162,349	19.69	55,911	6.78	106,438	12.75
1950.....	141,674	17.35	53,863	7.00	87,811	10.75
1949.....	169,617	20.93	77,090	9.51	92,527	11.43
1948.....	139,079	17.52	65,319	8.23	73,760	9.28
1947.....	83,930	10.63	41,692	5.28	42,238	5.35
1946.....	53,991	6.95	25,329	3.26	28,662	3.68

SOURCE: Dominion Bureau of Statistics, "The Agricultural Implements Industry", Table 17, 1958, 1955.

Chart 7.—Total Apparent Domestic Disappearance of Machinery, Imports and Sales of Canadian Machinery per Crop and Summerfallow Acre for Canada, 1946-1959

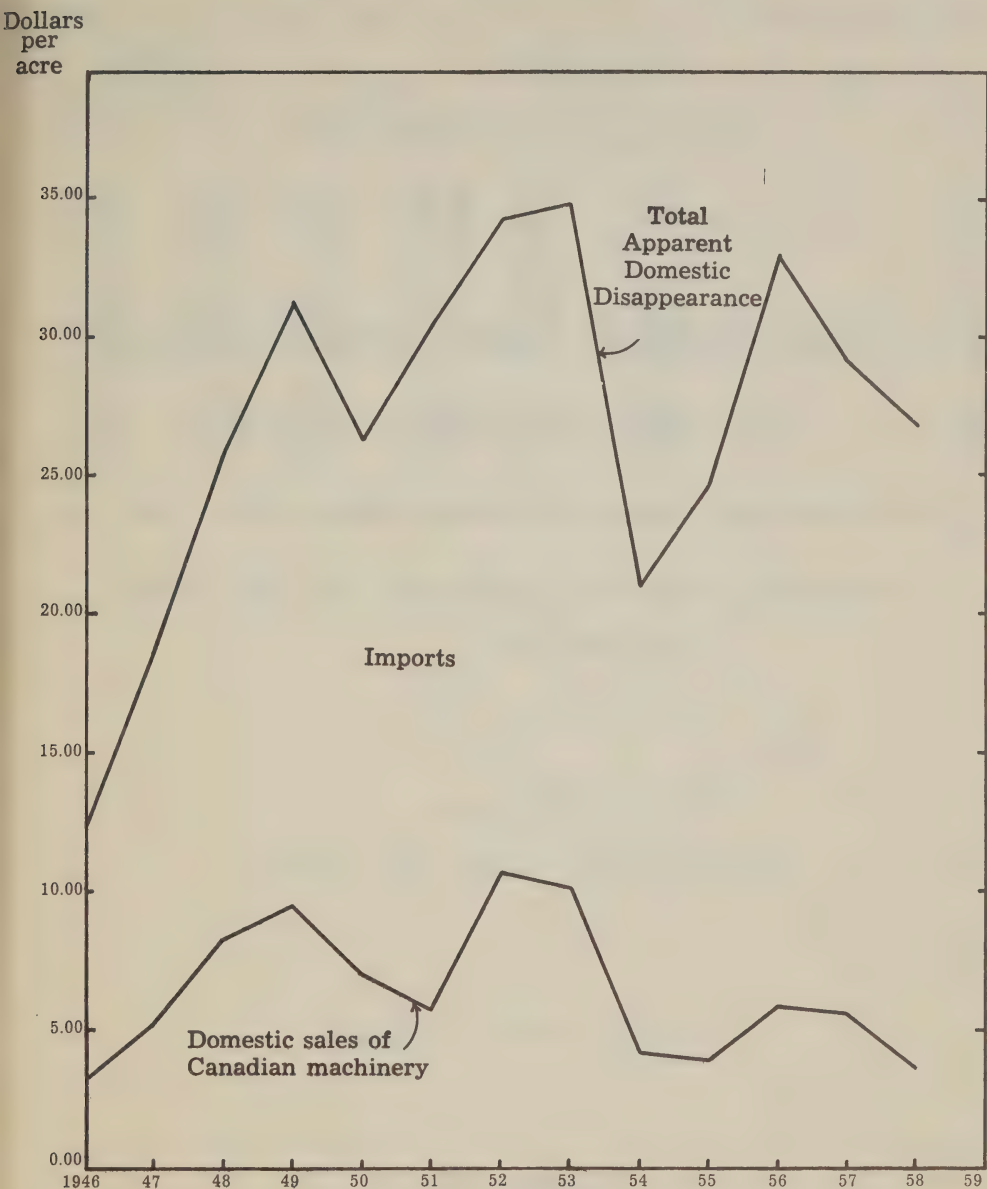


TABLE 7

Total Apparent Domestic Disappearance of Machinery in Canada including Machinery of Canadian Origin and Imports, 1946-1958

Year	Domestic sales of Canadian produced machinery		Imports		Total Apparent Domestic Disappearance	
	- '000-	-per acre-	- '000-	-per acre-	- '000-	-per acre-
	\$	\$	\$	\$	\$	\$
1958.....	31,494	3.69	198,295	23.21	229,789	26.90
1957.....	48,220	5.62	202,222	23.58	250,442	29.20
1956.....	50,179	5.87	232,148	27.16	282,327	33.03
1955.....	33,691	3.95	178,248	20.91	211,939	24.87
1954.....	36,318	4.26	143,163	16.78	179,481	21.03
1953.....	85,535	10.12	209,143	24.75	294,678	34.87
1952.....	89,280	10.71	197,266	23.67	286,546	34.38
1951.....	55,911	6.78	195,082	23.65	250,993	30.43
1950.....	53,863	7.00	161,642	19.79	215,505	26.39
1949.....	77,090	9.51	177,210	21.86	254,300	31.37
1948.....	65,319	8.23	139,993	17.63	205,312	25.86
1947.....	41,692	5.28	105,405	13.35	147,097	18.63
1946.....	25,329	3.26	68,352	8.80	93,681	12.06

SOURCE: Dominion Bureau of Statistics, "The Agricultural Implements Industry", Table 17, 1958, 1955.

3

HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3 LIBRARY

MAY 8 1961

UNIVERSITY OF TORONTO

Respecting

PRICES OF FARM MACHINERY

FRIDAY, APRIL 14, 1961

WITNESSES:

From the *Canadian Federation of Agriculture*: Dr. H. H. Hannam, President; Dr. W. C. Hopper, Economist; Mr. David Kirk, Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue	Gundlock	Peters
Badanai	Hales	Phillips
Belzile	Hardie	Racine
Boulanger	Henderson	Rapp
Brassard (<i>Lapointe</i>)	Hicks	Regnier
Brunsdén	Horner (<i>Acadia</i>)	Ricard
Campbell (<i>Lambton-Kent</i>)	Howe	Rogers
Clancy	Kindt	Rompere
Clermont	Knowles	Slogan
Cooper	Korchinski	Smith (<i>Lincoln</i>)
Danforth	Latour	Southam
Doucett	Leduc	Stefanson
Drouin	McIntosh	Tardif
Dubois	Michaud	Thomas
Dupuis	Milligan	Thompson
Fane	Montgomery	Tucker
Forbes	Muir (<i>Lisgar</i>)	Villeneuve
Forgie	Nasserden	Webb—60.
Godin	Noble	
	Pascoe	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, April 14, 1961.

(4)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Argue, Badanai, Belzile, Boulanger, Campbell (*Lambton-Kent*), Clermont, Cooper, Danforth, Doucett, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Knowles, McBain, Milligan, Montgomery, Muir (*Lisgar*), Nasserden, Pascoe, Phillips, Rapp, Regnier, Ricard, Rompre, Southam, Stefanson, Thomas, Tucker and Webb—(31).

In attendance: From The Canadian Federation of Agriculture: Dr. H. H. Hannam, President; Dr. W. C. Hopper, Economist and Mr. David Kirk, Secretary.

Dr. Hannam presented a brief on behalf of the Canadian Federation of Agriculture regarding farm machinery prices.

The Committee questioned Dr. Hannam, Dr. Hopper and Mr. Kirk on the Federation's brief.

Moved by Mr. Southam, seconded by Mr. Fane,

Agreed—that a copy of a questionnaire on *Profit or Loss with Machinery* sent out by the National Farm Radio Forum be made an appendix to this day's proceedings. (*See Appendix "A" to this day's minutes of proceedings.*)

At 11.00 a.m. this Committee adjourned until 2.30 p.m.

AFTERNOON SITTING

(5)

The Committee reconvened at 2.40 p.m. Mr. McBain, the Chairman, presided.

Members present: Messrs. Argue, Boulanger, Brunsdén, Campbell (*Lambton-Kent*), Clermont, Cooper, Danforth, Doucett, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Knowles, McBain, Montgomery, Muir (*Lisgar*), Nasserden, Pascoe, Peters, Rapp, Rogers, Rompre, Southam, Stefanson, Thomas and Tucker—(27).

In attendance: Same as at morning sitting.

The Clerk of the Committee read a telegram from the Alberta Wheat Pool.

Dr. Hannam read a supplementary statement regarding the Federation's brief.

Questioning of the officials of the Canadian Federation of Agriculture was continued.

The Committee thanked the officers of the Canadian Federation of Agriculture for their appearance.

At 4.15 p.m. the Committee adjourned until Friday, April 21st at 9.30 a.m.

Clyde Lyons,

Clerk of the Committee.

APPENDIX "A"

NATIONAL FARM RADIO FORUM

National Summary

Editor-Manager—Rodger Schwass

Topic—Profit or Loss with Machinery

Date—March 6, 1961

No. of reports—284

Total attendance—3237

Average group size—11.6

Opinion of Broadcast: *Good 155 Fair 71 Poor 2 No comment—35*

1. Do you think more standardization of machinery is needed?

Yes	252 forums
No	6 "

What parts do you want standardized?

Mower sections and guards	81 forums
Power take-off shafts	71 "
Nuts and bolts	70 "
Ploughshares	68 "
Three-point hitches	53 "
Implement wheels & tires	46 "
Chains for equipment	31 "
Ball and roller bearings	24 "
Fewer models and sizes	18 "
Oil filters	14 "
Hydraulic fittings	4 "

2. What recommendations do you have for the House of Commons Committee on Agriculture and Colonization, which we could pass along?

- (a) There should be government control of markup and profits.
- (b) A major test centre should be set up to prepare reports on all new farm machines entering the market.
- (c) High repair parts costs should be investigated.
- (d) The possibility of excessive profits in the farm machinery industry should be investigated.
- (e) Farm equipment companies (particularly relating to safety) should be forced by law to standardize.
- (f) Warranties should be checked for accuracy and authenticity, and dealers should be licensed.

3. What other opinions do you have about the cost of farm machinery?

- (a) Farm machinery prices are out of line with farm product prices.
- (b) Dealer and manufacturer markup is too high.
- (c) A multiplicity of models, styles, and power ranges increases cost without increasing true value to the farmer.
- (d) Repair costs are far too high.
- (e) Impractical "extras" should be left off tractors. Farmers themselves should boycott such fad items as power steering.
- (f) Machinery quality is not as high as in times past.

Comments

"It should be a law that new developments in machinery be tested and faced with a government standard before being placed on the market. Federal legislation should be passed similar to that of Saskatchewan stating that agencies, in order to keep their license, must fully back warranties on equipment."

Musquodobit-Brookvale, N.S.

"Stop buying large high priced equipment with all the extras to force companies to produce smaller and less expensive models, the same as the automobile companies."

Lobo Centre, Ontario

"Some machinery costs too much and isn't always suitable. We would like to see more economy tractors and other machinery and never mind the fancy lights or seats. The large pieces of machinery like combines are too expensive for most farmers so it's better for one to get one of them and do custom work for the others."

High and Low Forest, P.Q.

"Costs of machinery are too high, Government should intervene to cut profits. Co-operatives should be encouraged to go into the manufacture of farm implements."

Forums Ruraux Acadiens, N.B.

March 28, 1961

EVIDENCE

FRIDAY, April 14, 1961.

The CHAIRMAN: Gentlemen, I believe we have a quorum this morning. I am pleased to welcome again Dr. H. H. Hannam, who is at present the President of the Canadian Federation of Agriculture; Dr. W. C. Hopper, economist; and Mr. David Kirk, secretary of the Canadian Federation of Agriculture.

Before we proceed further, probably I should mention the fact that each member of the committee has already received the revised schedule of appearances of witnesses, the brief submitted by the Alberta Wheat Pool—they will not be making a personal appearance—the brief of the Canadian Congress of Labour; and a booklet entitled "Our Future is Linked Together" prepared by the Farm Equipment Institute of North America. This was sent to us by the chairman of the Canadian information committee of the institute, Mr. H. L. Hickey.

I also hope each member of the committee has brought his copy of the brief of the Canadian Federation of Agriculture with him, as our supply is limited.

I might mention that we hope these briefs will be presented a week in advance as requested, and I must remind all members of the committee to bring the briefs with them as I have no doubt the supply is limited.

At this time I would like to call on Dr. Hannam to present the brief from the Canadian Federation of Agriculture.

Dr. HANNAM (*President, Canadian Federation of Agriculture*): Mr. Chairman and gentlemen, we are happy to have this opportunity to present a brief to you. I hope you will not feel too badly about the appearance or size of the brief. We have suggested that I should read to you only the double-spaced sections. All of the sections in single spacing are an elaboration of the general text. It is there for your information and in many cases it will give you an idea why we have made certain statements and why we have presented certain views and recommendations. In that way I hope you will not feel it is too long.

What we have tried to do in this brief is to bring to you the collective views of the farmers across Canada. We have done a very substantial amount of work on this brief by having sent out a questionnaire to all of our principal bodies, having them pass them on to their local committees and individuals. Then we have provincially and nationally tabulated the results.

This, then, is a composite of farm opinions in respect to the farm implement business.

Mr. Chairman and Members:

It is not surprising that the cost of farm machinery, repairs and parts, and the need for exploration of every possibility for the reduction of such cost, has been a continuing concern of farmers, their organizations, and of governments over the years.

Farmers in all income brackets recognize that if they are to be efficient in the production of agricultural commodities of all kinds they will have to depend to a major extent on the adoption of modern, labour-saving machinery. The result is that machinery costs represent a steadily larger part of the farmer's total costs. As well, his costs measured as a proportion of his gross revenue continue to climb steadily.

With this pressure to increasing mechanization has gone a steady rise, in the post-war period, in prices of farm machinery, and farm machinery repairs and parts.

Finally, we find that, in the face of this pressure to invest in machinery, and the rising cost of such machinery, prices received for farm products have not risen correspondingly. The farmer is in a cost-price squeeze and it is both inevitable, and proper, that the possibilities of reducing farm machinery costs should come in for the closest examination.

In constant dollars the national net income from farming in 1959 was 35 per cent below what it was in 1949. During the same decade the number of farm operators in Canada declined by 210,000 or about 33 per cent. In spite of this striking reduction the net income per operator in constant dollars in 1959 was 5 per cent lower than it was in 1949. If the cost of commodities and services required by farmers had fallen to some extent as their incomes their situation would not be so difficult but this is not the case. These essential goods and services including farm living costs have actually risen during the decade by about 30 per cent.

Yet in spite of this cost-price squeeze Canada's 450,000 farm operators purchased in one year (1959), new farm machinery and equipment with a wholesale value of \$212 million and repairs to the value of \$39 million, which when added together and put on a retail price level would be in the neighbourhood of \$315 million, or about \$700.00 per operator.

In these calculations cash discounts to farmer buyers, and trade-ins, were not taken into account. This great expenditure and substantial scale of investment took place in spite of relatively low farm incomes, compared with the incomes of those of other occupations with comparable capital investments. This makes it clear how considerable is the pressure of developing technology on the farmer and how vital to the survival of these producers of food for the people in Canada are these implements of production and their maintenance in a working condition.

The problem in perspective

Almost every answer we received from farmers to a questionnaire, which was circulated widely by our member organizations across Canada, stated that it is the low level of their incomes that has been the principal factor determining the extent to which they have been able to purchase new machinery. The emphasis here on the income, rather than on the cost side of the cost-price dilemma, is we think significant and illustrates a point which we want to make clear at the outset.

In our view the basic difficulties of agriculture arise out of the technological forces making for rapidly rising productivity in agriculture, together with the failure of the demand for farm products to increase correspondingly. The result is a chronic tendency to overproduce and a downward pressure on farm prices and on numbers of farmers.

We think that farmers recognize this fact, and would not want us to run any risk of leaving an impression that we think the problems of agriculture are essentially caused by exploitative increases in costs, though these can be damaging when they occur. To leave such an impression would not serve the best interests of farm policy needs in Canada.

It is in the improvement of conditions of marketing and pricing of farm products, in expansion of markets, in the creation of economic opportunity for rural people, and in progressive credit and resource use policies that the greatest hopes for improvement in the farmer's condition lie.

We do not make this point to underrate the importance of this inquiry, but rather to keep its significance in proper perspective. An inquiry such as

this is of real importance to the farmer. More, because it deals with the efficiency and productivity of one part of our manufacturing and distribution system, it is a matter of importance to Canada as a whole—as is any inquiry into ways and means of augmenting our national wealth and productivity.

Having made this point, we propose in the balance of this presentation to confine our attention quite strictly to the question before us—that of farm machinery prices and costs.

General conclusion

We should perhaps begin by stating, in very general terms, the basic conclusions at which we have arrived in regard to this question. These conclusions are two in number:

1. The greatest possibilities for reducing the cost to the farmer of the machinery and repairs that he buys lie in the improvement of the distributive system, rather than on the manufacturing side. In this distributive system, of course, the farm machinery manufacturers are deeply involved. This view is borne out by the experience in the business of Canadian Co-operative Implements Limited. Also, added point and emphasis is given to it by reflecting that in the farm machinery industry we enjoy reciprocal free trade arrangements with the United States, and have duty-free entry from all countries. We export a large proportion of Canadian production to the U.S. and from it we import some 80 per cent of all the farm machinery purchases made by Canadian farmers. If farm machinery prices are excessively high, even before the addition of the distributive margin, we are faced with a North American, not merely a Canadian, problem.

2. In relation to the manufacturing sector, the greatest possibility of substantial gains lies in increased measures of standardization, in the making of fewer model changes, and similar technical progress which would be, in turn, reflected in lower costs to the farmer. Here again, it is necessary to bear in mind that we buy and manufacture farm machinery in a North American market, and the need for international cooperation in this area definitely arises.

The recommendations we will be making at the conclusion of this submission reflect these broad conclusions.

The extent of farm investment in machinery

The large and increasing investment in farm machinery required for modern farming is well known and need not detain us here, especially since the committee is being provided with the statistical data by the Canada Department of Agriculture and the dominion bureau of statistics. The 1960 Canada year book states that the average investment per farm in machinery has, in constant dollars, and over the last 20 years, increased by 213%. This single figure, indicating a tripling of the physical capital in machinery employed by the farmer, tells the story. Expressed in current dollars, the increase would of course be very much greater.

Some specific examples of capital investment in machinery, changes in this capital over the years, and the proportion that machinery investment bears to total farm investment are given below, and are obtained from farm management studies by the economics division of the Canada Department of Agriculture and the Ontario department of agriculture:

Then follows a number of examples, which refer to different provinces.

In the Creston area of British Columbia the average cost of machinery per cultivated acre ranged from \$11 on grain farms to \$33 on fruit farms

and the average on all farms was \$17. These farms included those specializing in dairying, grain, small fruits and livestock. The study was made in 1955.

A study made on 100 dairy farms in eastern Ontario in 1957 provided an interesting comparison of the increase in the investment in machinery between 1948 and 1957 (in current dollars). For farms selling milk for fluid consumption the increase was from \$4,200 to \$6,600. For farms supplying milk for processing the increase was from \$2,900 to \$3,600.

In 1958, on representative Ontario farms, the proportion of the total farm capital invested in machinery was 19 per cent for dairy specialty farms, 15 per cent for beef steer farms and 21 per cent for cash crop farms.

Another study shows that in 1919 Ontario dairy farmers had on the average machinery and equipment to the value of \$980 or 6 per cent of the total farm capital. In 1958, the same study shows the investment in machinery and equipment on the average was \$7,393 or 18 per cent of the total farm capital.

In 1959 the farmers submitting farm account books to the Ontario agricultural college for analysis had an average machinery expense per farm for that one year of from \$1,837 for beef and processed milk farms, to \$3,903 for cash crop farms. For most of the other types of farms the annual expense was well over \$3,000 per farm or more than \$16 per crop acre.

The report of a Saskatchewan study in 1956 shows that the average investment per crop acre was about \$19 for small farms (235 to 320 acres), \$17.50 for medium sized farms (530 to 640 acres), and \$14.60 for large farms (950 to 1465 acres).

In 1959 the farm business summary prepared from the operations of 42 farm management clubs in Saskatchewan, with a total of 455 members, showed that machinery and equipment represented about 17 per cent of the total farm capital.

On farms on the grey wooded soils of Alberta in 1955 more than one-third of the total annual farm costs were on the average attributable to the costs of machinery and equipment.

In West Central Manitoba on 19 half section grain and livestock farms with a total average capital investment of about \$20,000 in 1956, the value of machinery and equipment was \$4372 or about 22 per cent.

On 21 three-quarter section grain farms in the Red River Valley the average investment in machinery and equipment was about 20 per cent of the total farm capital.

A survey made by us of farmers' views from all areas of Canada have yielded many useful facts, suggestions and recommendations on the subject matter of this enquiry. The sections which follow are in considerable part based on an analysis, in condensed form, of the answers to the questions which we put to farmers through the agency of the member bodies of the Canadian Federation of Agriculture. A listing of the questions asked is attached in Appendix A.

Appendix A is the last page of the brief, and it gives you the substance of the questionnaire.

Prices of farm machinery and parts

Farmers are unanimous in their belief that prices of farm machinery equipment, repairs and service are excessive. This belief is in part a direct belief that farm machinery costs are higher than they need be and should be. But as already noted it is in part an expression of the inadequacy of farm income to meet heavy demands for operation, repair and investment.

It is also quite clear from replies received to our questionnaire that the sorest point among farmers is not so much the cost of new machines as the cost of parts and service. In this area it is very clear that farm feelings about repair and replacement costs vary from dismay to outrage. In this connection it should be noted that delays and difficulties in obtaining parts are a very real item of cost to the farmer, not reflected in actual prices. Often this aspect of the problem, because of unsatisfactory experiences, looms very large in the farmer's mind.

There is no doubt, in our opinion, that sales, service and distributive costs for farm machinery and machinery repairs and parts, are higher by a good deal than they should be. The farmer is in the position of having to buy at retail, and sell at wholesale—a difficult one at best. It is therefore of the utmost importance that distribution and sales costs be kept to a minimum. We recognize that there are real problems and difficulties here arising from the wide geographic dispersal of farm business units, but we also think improvement is possible. We would like to quote the following statement by Mr. J. T. Kyle, diector of the Saskatchewan agricultural machinery administration:

One of the very fundamental problems in our opinion is the "horse and buggy" distribution system presently used to distribute farm machinery. In our opinion, a new policy of dealer appointments on the part of farm machinery manufacturers offers significant possibilities for economies in farm machinery costs.

The farm population in Saskatchewan has decreased from over 125,000 farms to well under 100,000 farms. No equivalent reduction has been made with regard to the distribution organization of major farm machinery manufacturers. This is indicated specifically by the fact that there were 1,850 licensed farm implement dealers in the province of Saskatchewan in 1959, a number not significantly different than it was ten years ago. It is a rather interesting observation to relate the relationship of farm implement dealers to the present farm population. Assuming the present population to be even 100,000, which in fact is much more than the actual resident population of farm people, this would indicate that there are about 54 potential farm customers on an average to each farm implement dealer in the province. From a purely economic fact alone, this would seem to indicate that there exists a rather extensive distribution system, and perhaps something in excess of what is economical. The cost of servicing high numbers of farm implement dealers adds significantly to the cost of modern day farm machinery. With these thoughts in mind therefore it would seem reasonable to assume that some of the overhead costs of merchandising farm machinery could be reduced with a reassessment of future policy on the part of machinery manufacturers as they go about their dealer appointment problem.

Coupled with this thought, is the fact that a much higher adequacy of repair stocking could be obtained, since it would then be economical for farm implement dealers to carry significant repair stocks rather than simply duplicating the small fast moving stock that their competitive dealer six miles away is also carrying. An increase in the financial health of the farm implement dealers will give beneficial results to farm users through better stocks of repair parts and more adequate service on a local level.

We are sure much the same statements could be made as related to any part of Canada. We would emphasize that the thinking of the machinery administration in connection with the rationalization of the distributive structure is, as we understand it, that the improvement should be gradual and evolutionary, not sharp and disruptive to the distributive structure.

In the last annual report of Canadian Co-operative Implements Limited it is reported that their sales increased 32 per cent over the previous year, and the increase in savings amounted to \$582,750 and represented about 13 per cent of sales to members. If these savings are calculated on new machinery sales alone, as is often done, the savings amount to 15½ per cent of sales. We do not propose to discuss the experience of C.C.I.L. to any extent, because you will be hearing from them directly in the course of your hearings. We think, however, that figures such as these, and even more the record of C.C.I.L.'s past experience, indicates that rationalization of distribution could mean very large savings to the farmer.

Between 1947 and 1960 the index of farm machinery prices rose from 126.3 to 254.2—a more than 100 per cent increase in 13 years. This index is the one used in calculating the overall index of prices of commodities and services used by farmers. This is a very substantial increase and gives point and urgency to the need for taking all possible action which might reduce the farmer's machinery costs.

The record on costs of parts gives, in our opinion, special cause for concern. Over a period of much less than 13 years, item after item of farm machinery parts have shown increases that do seem out of line with general changes in price levels. We have no doubt that the answer to this problem of high costs of repair and replacement parts lies primarily in better organization of repair and distribution facilities, and in reduction of model changes and standardization of parts. The situation will not be improved, we are certain, simply by objecting to the level of these prices.

We quote below a statement from one of the officials of our organization which illustrates this point:

Having had frequent access to a branch farm machinery warehouse I have seen in the post-war years a terrific amount of new machinery and parts go into scrap. In this period a lot of work was done to develop hydraulic implements. Evidently this company acquired patents from another company with which they became associated and the results of years of research and manufacture were thrown away. I am sure for all of this obsolescence, etc., it is the farmer who pays eventually. A similar condition seems to exist in the wholesale parts department. About the last week of October of this year I have seen tons and tons of both machinery and parts sold to scrap dealers. At one time it almost looked to me as if they disposed of the parts which had been misplaced rather than try to recatalogue them. Only recently an employee of a local dealer told me of seeing a principal part go into the scrap truck and he told shortly after that this part was out of stock and would have to be ordered from the factory. Of course all scrap is cut with a torch so no farmer could make use of it.

We have received from our members many examples of the increases which have taken place in the prices of individual machines and repair parts in recent years.

Below are given some examples we received from Western Canada:

- (1) A 3-plow tractor cost \$1400 in 1943. A comparable model today costs \$4000.00.
- (2) A combine bought in 1953 was \$5500.00. Today a combine which is practically the same costs \$8000.00.
- (3) In 1951 SP combine cost \$5500. A 1960 model is \$7700.
- (4) A swather cost \$600 in 1950 and now costs \$1000.

- (5) A tractor with a horsepower of 30 to 38 in 1939 was priced at \$1750. A comparable horsepower tractor today cost about \$4000. There have been of course improvements in tractor design and productive capacity so the actual increase in price is not as great as it appears.

Some farm machinery has not changed appreciably in design in the past ten years and even here price increases clearly show that technical advances in design cannot begin to account for the price increases which have occurred, a contention which we sometimes hear. Here are some examples which fall into this category:

You will notice that the longest period given is eleven years. However, all the rest are for a shorter period than eleven years.

Type of machine	List prices in years indicated		
	Years	Prices	Increase
		\$	
12 ft. swather.....	1950	545	65
	1960	899	
15 ft. swather.....	1950	625	60
	1960	999	
16 ft. swather.....	1953	816	26
	1960	1,030	
8 ft. oneway disk.....	1949	450	67
	1960	725	
Model WD tractor.....	1953	2,245	19
	1959	2,675	
Side-delivery rake.....	1952	265	48
	1960	363	
Hammer mill.....	1953	263	31
	1960	345	
Cultivator (tool carrier).....	1953	293	30
	1960	380	

The recommendation by several of our members was that changes in the models of machinery are too frequent. Several believe that there should be three to five years between each new model. This, it is claimed, would help to prevent price increases because new models represent significant costs in terms of tooling. Moreover dealers would be able to maintain larger stocks of repairs and parts.

A report from Quebec states that one manufacturer of tractors made 12 models in one year. The next year all but three were changed or dropped.

The following table illustrates changes in prices of parts with no changes in design, taken from Saskatchewan experience:

Type of machine	Part	Listed prices in years indicated		
		Years	Prices	Increase
			\$	%
Combine.....	sprocket.....	1952	4.38	75
		1960	7.69	
	roller.....	1952	15.25	62
		1960	24.78	
Combine.....	guard.....	1952	1.20	54
		1960	1.85	
	pick-up sprocket.....	1950	1.09	23
		1960	1.34	
Power Mower.....	knife head.....	1950	4.10	91
		1960	7.85	
Swather (16 ft).....	knife.....	1950	14.95	144
		1960	36.52	

Other examples received direct from farmers are:

	Years	Prices	Increase
		\$	%
Pulley for combine.....	1951	4.50	311
	1960	18.50	
Canvas for combine.....	1946	5.00	160
	1960	13.00	
Set of plowshares (3).....	1947	14.00	100
	1960	28.00	
Combine distributor cap.....	1957	4.50	155
	1960	11.50	
Combine cylinder chain.....	1954	18.00	66
	1960	30.00	
Mower knife.....	1957	8.50	65
	1960	14.00	
Tractor tire (rear).....	1957	60.00	42
	1960	85.00	

From a Quebec source we received the following comment which was similar to replies from other areas of Canada. "There is a practice of making certain units which are part of an assembly and if one of these units wears out or breaks the farmer has to buy the whole assembly". This remark calls for serious consideration by farm machinery manufacturers.

Here are comments from Manitoba. Weak spots of new machines are not corrected fast enough. Warranty runs out and new parts have to be purchased for the weak spots. A slip clutch for a 1954 combine cracked the hub. This had to be welded constantly. A new one was bought in 1959 at a cost of \$20. It lasted one fall. Two years ago it was necessary for the farmer to wait two weeks for a beater shaft for a combine. Last fall he had to wait six days for a power take-off. A kit was brought out by a tractor company but a bearing could not be bought separately. It was necessary to buy a complete cluster and throw away the old gears. The cost was \$150. It was necessary to buy a new hydraulic pump because the seals for the old ones were not available. The new pump cost \$150.

Competition among dealers

From our questionnaire it is clear that farm people value the existence of a degree of competition in farm machinery sales in their area, and believe it definitely improves their bargaining position. In some districts price competition, starting from listed prices, is quite intense and price cutting frequently occurs. In other areas it is not nearly so keen, while in many other localities it is reported that there is little or no competition in price. In most areas, however, it is the allowances for trade-ins on used machinery which constitutes the principal feature of the competition between farm machinery dealers. In general farm machinery dealers are reported as giving discounts for cash when they do not have to take a used machine as part of the payment for a new one.

It should be emphasized, however, that it should not be necessary, in this age of motorized transportation, to have excessive numbers of dealers, in order to provide healthy competition in the farm machinery business.

In relation to this subject the following statement appears in the 1960 report of the Canadian Co-operative Implements Limited: "It will no doubt be a surprise to many to know that, in the years from 1952 to 1959, we paid member customers approximately \$2,600,000 more for their trades than we were able to sell them for. And it will be a further surprise to know that a total of more than \$750,000 was allowed to customers by way of discounts for cash."

There is one aspect of this matter which deserves mention and that is, where prices have been cut severely, or unrealistic allowances have been made for trade-ins, the margin of profit of the dealer may be so reduced that he is unable to stock adequate repair part inventories, and therefore he cannot properly service the machines which he has sold, and is unable to honour normal and legitimate warranty claims. One example which we received of the allowance for a used machine which illustrates the extremes to which dealers will go to sell a new machine is—one dealer offered \$35 for an old hay rake while another dealer offered \$250 for the same rake.

Quality of machinery and parts

From the replies to our questionnaires no general insistence that the quality of farm machinery and parts is inadequate, or is deteriorating, was found. There were some definite complaints, however, and no doubt real problems exist in this regard. The answer is, we would think, to develop across Canada adequate programs of pre-testing and research. We will be making some definite recommendations on this point.

A number of replies that we received to our questionnaire insisted that there has been a deterioration in the quality of farm machinery. There have been complaints about the poor quality of steel and of certain engineering features. One reply was to the effect that research is necessary to find new materials or alloys to withstand corrosion in fertilizer machinery and attachments. Another farmer stated that when new machinery is obtained it is frequently not ready for operation and many changes and adjustments are necessary before it can be used. Cultivator teeth break too frequently and bailers have weak and sensitive time mechanisms. Plows have weak beams and frogs which are soon out of alignment. Rakes break and bend or fail completely in heavy crops. Chisel plows fail to work at constant depths. Field sprayers with 50 gallon tanks have no quick means of refilling the tanks from a pond or creek.

On many Quebec farms we have been told there is no possibility of using combines to harvest grains and farmers have been informed by dealers that they cannot get reaper-binders as these machines are no longer manufactured. The farmers making this remark suggested that this point should be investigated.

Adequacy of supplies of parts and service

Loss of time in obtaining parts and inadequacy of supplies of repair parts were mentioned by many of the farmers in the various provinces as problems of serious proportions.

There is little doubt that the availability of repair parts to farmers is inadequate at certain times of the year. During the harvest season shortages are apparent both at the vendor and the distributor or branch level, and even at the factory level in some cases. Experience in this regard is of course not uniform—for example there were some farmers in Ontario who replied to our questionnaire stating that the servicing of parts was adequate or reasonably adequate. There is no doubt, however, that a serious problem does exist in this matter of availability of repair parts.

When new models are placed on the market the manufacturers seem to be reluctant to stock adequate repairs for new models of machines even on a branch level until experience indicates what is required. By the time this information is available to the repair parts managers on the branch level there usually exists an extreme shortage in terms of parts for the dealer and the farmer. Long delays are the result of this inadequate planning. The rapid change of models being offered for sale has resulted in a very high rate of obsolescence for repair parts and also means an ever increasing inventory of repair part needs. Different methods are being tried to determine repair stock requirements and to handle repair orders once they are received. This indicates that manufacturers are making attempts to correct the problem, but are a very long way from a solution.

Some observations from Manitoba are worth recording. One farmer has reported that he had to wait all summer for a mower knife. Another farmer needed a sprocket for a 1959 combine. He could not get it from the local dealer and he had to pay for six long distance telephone calls in order to obtain one from another dealer. The same farmer broke a small piece on the knotter of a bailer. The dealer phoned three possible sources for the part required but none were available. He finally obtained a piece from Winnipeg after another long distance call. In another case a farmer was tied up for two weeks because he could not obtain a small pin for a oneway disc. In still another instance a farmer had to wait a week in the middle of harvest for a feeder chain for a combine.

Many similar types of complaints were received from Alberta. Here are examples. A farmer ordered parts for a new seed drill through the local dealer late in January but it was not until the end of March that he was able to obtain parts, that is, some of the parts. The rest were not obtained until the first of June. Another farmer in Alberta stated that on two occasions he had to wait a complete season for repair parts for two machines.

From Quebec province we received the following comments and examples. Within the last two years two companies which manufacture farm implements have closed their warehouses in Ottawa and Montreal, with assurance to farmers that they would continue to give excellent service, that in fact there would be improved service from their warehouses in Toronto and Hamilton. However, the opposite has been the case. Shipments to dealers are made every two weeks, and if anything

is needed in a greater hurry, it involves additional costs of wiring, express and such charges. On top of this, many of these parts for even recent models of machines are out of stock in these warehouses.

A six-year-old tractor was damaged in a farm accident on June 28th, 1960. Parts were ordered for it immediately, but it was out of operation for over three weeks until one key part came. The rest were not available, and the tractor was put back into operation through welding processes. The final shipment of parts arrived late in November. The three week lay-over was in the middle of haying.

A four-year-old tractor was purchased in the first instance without a power-take-off attachment, which was optional. Now the owner wishes to buy one, and is told that they do not make these parts any more.

An eight-year-old manure spreader, with a standard apron chain, which has never changed for some years, was in need of a new chain. It was eight weeks before delivery of the parts.

In recent years, there has been a steady turnover of agents and agencies, and in each case this has resulted in a complete disruption of parts service. Some of the old dealers have passed on, and their families have not been able to renew their service contracts on the old basis. The new contracts have not been as protective to the farmer.

One of the replies to our questionnaire from Prince Edward Island was to the effect that farm machinery manufacturers need to have a change in their practices of supplying parts to their dealers, or need to establish a complete supply center on Prince Edward Island from which parts could be drawn as very often there is too much delay in getting parts from the nearest point in New Brunswick. The farmers of Prince Edward Island have a great deal of money invested in machinery, and parts as well as expert service should be available without delays.

A few farmers reported that repairs for older machines, which they must use because their incomes are not sufficient to buy new ones, are not available in depots and warehouses. There were also complaints that parts for new machines, which frequently have some weaknesses, were not available at local depots when they were required.

Standardization of Machines and Parts

Most of the farmers in all the provinces replying to our questionnaire expressed the opinion that there should be greater standardization of machinery parts. Standardization has been recommended for many years as a significant means of reducing the costs of modern farm machinery. Standardization of the design of machine component parts within any one manufacturer's line of machinery should, especially, yield good results in terms of lowering the cost of production. It appears that no real concerted over-all management effort has been undertaken to standardize component parts within a complete line of machinery. It should be possible, for example, for design engineers to standardize on the use of a much lower number of different bearings for their line of equipment than has heretofore been the case, without loss, or without significant loss, of efficiency. Small declines in efficiency would probably be much more than offset by reduced repair inventory requirements right through from the manufacturing end of the dealers' stocks, to say nothing of the possibility of economies from larger bulk buying.

Standardization of component parts for tractor motors has been undertaken to a limited extent by one manufacturer but this could be developed to a much greater extent. General Motors has provided an example by manufacturing their diesel power plant in a horsepower range from a minimum of 90 horsepower up to 500 horsepower and on a standardized design basis. The

pistons used in the small two cylinder diesel power plant are the identical pistons used in the quad-six cylinder 500 horsepower units. Likewise connecting rods, wrist pins, valves, etc.

Costs could be reduced if all pistons were identical regardless of the number of pistons or the size of the power plant. The same reasoning would apply to connecting rods, connecting rod bearings, wrist pins, rings, valves, valve springs, main bearings, etc. Standardization of items such as ledger plates, knife sections and guards between swathers and combine cutter bars could be established. Reel arms and reel bats could also be standardized between swathers and combines. Among the other parts for which farmers in various parts of Canada recommended standardization are cultivator shovels, belts, batteries, oil filters, plow shares, bolts with standard thread, links for drive chains, rake teeth, pulleys, tubes, tires, wheels, discs for seeders, electrical equipment such as starters and generators, axles, gear shifts, and hydraulic fittings. The manufacture of power take-offs of uniform character which has already occurred was favourably commented upon by several farmers. A Prince Edward Island farmer made the comment that he traded in his 1951 tractor last year and was able to use all of the mounted implements on the new 1959 model. A neighbour who traded in his tractor for one of a different make had to buy all new mounted attachments.

A few farmers stated that they feared that if parts were standardized it might hinder competition and stop further improvements in designs.

The American Society of Agricultural Engineers has carried on a program of standardization for the manufacture of component parts of farm machinery. These standards are not binding on any manufacturer but are being widely used by American and Canadian companies wherever they are applicable. That is, Canadian engineers are also part of this American Society of Engineers. Those standards relate to such things as power-take-off speed and adapters, belt pulley speed and adapters, three-point linkage, cultivator sweep and shovel mountings, hydraulic remote control rams, etc.

Credit Facilities

There was fairly general agreement that credit facilities are adequate for the purchase of farm machines. Many farmers remarked that they were glad to be able to obtain federal farm improvement loans on which interest was at a lower rate than if they used the credit facilities of the farm machinery companies. A few stated that the interest rate on these Farm Improvement Loans should be lower and more in line with the prices they were receiving from the sales of their farm products. Others who used farm machinery company credits stated that these charges were much too high.

Distances to repair depots

Farmers in Canada in general have to travel from 5 to 30 miles for repair parts—seldom more than 30. With improved highways these distances are not considered a serious problem for most farmers provided the repair depots have the parts in stock which the farmer wants. There were a number of farmers who recommended fewer but more adequate repair depots.

Rationalization of dealer and repair depot system

The increased costs of new machinery has been a real concern to farmers in every province of Canada. A remodeling of distribution of farm machinery by major manufacturers offers possibilities for significant economies in farm machinery cost. In many areas dealer organization has not been changed very much in recent years. Modern means of transportation have improved considerably and farmer buying habits indicate that ever increasing numbers are going to larger trading centers to purchase goods required. At the same time farm population has decreased substantially, but equivalent reduction has not been made in the distribution organization of farm machinery manufacturers. The costs of servicing large numbers of farm implement dealers adds significantly to the costs of modern day farm machinery. Many farm implement dealers have found themselves in financial difficulties. It would seem reasonable therefore to think that some of the overhead costs of merchandizing farm machinery could be reduced with a realignment of the dealer distribution pattern.

Progress is being made in the improvement of farm implement dealers' operations in Saskatchewan by the licensing program of the agricultural machinery administration. The adequacy of dealers in respect to the supply of repair parts and service to farm customers is given serious consideration before licences are granted. When an application is received for a new licence to merchandize farm machinery the applicant is required to meet a minimum set of standards in relation to repair parts and service facilities commensurate with the type of equipment the new dealer intends to sell. The administration is attempting to work with manufacturers of implements to establish a much higher level of dealer adequacy than has heretofore been acceptable to most manufacturers. This should in time bring more order into the distribution of farm machinery in Saskatchewan. The principal manufacturers appear to be leaning quite definitely towards the appointment only of establishments capable of providing first class service to farm customers as well as possessing good possibilities of long time operation in this most competitive field. The fact that manufacturers are required to register with the agricultural machinery administration their intent in making new dealer appointments has contributed to the adequacy of farm implement dealers as this requirement encourages co-operation between the administration and the machinery companies.

Machinery testing stations

There was widespread belief that governmental or other institutional type stations should be established to test all farm machinery in every province before it is offered to the public. In addition to the testing of the machines and of the efficiency of their operation, the administrators of the station should be given authority to require that dealers have adequate stocks of repair parts and services available for the farm machinery they sell to the farmers in the provinces which these stations serve. Several farmers referred in a most commendatory manner to the Saskatchewan agricultural machinery administration which is now in active operation. Testing of farm machinery in Saskatchewan has had a significant effect in the improvement of the types of machines offered to farmers in that province. These tests have been of value to farm implement manufacturers and have resulted in substantial savings to farmers by helping them in their selection of machines best suited to the work they wish to have done.

Farmer self-help

There are three or four areas of opportunity for improved conditions through farmer self-help by their individual or collective efforts. In each of these there is little doubt that education and promotion programs can make a real contribution, especially if these are combined with programs of government research, improved legislation and industry cooperation.

First is the vexing question of cooperative or partnership arrangements in the ownership and operation of farm machinery, and, closely related to this, the best use of the possibilities of placing reliance on custom work. The difficulties in the way of joint use of machinery by farmers are undoubtedly great, and the reasons why more farmers do not enter into such arrangements carry a great deal of weight. Nevertheless, this is an area in which we are convinced that real progress is possible and necessary. This is not something that parliament can legislate, but it might very well be something to which through its research programs and in other ways parliament could give attention in the interests of the promotion of joint use.

There is at present relatively little cooperation among farmers in the purchase and use of farm machinery and equipment except among family relatives. A few farmers who are not members of the same family do buy some of the higher priced implements collectively. Many farmers believe that their costs of operation could be reduced by more cooperative purchasing of machinery. A few replies from farmers in Ontario said that cooperative purchasing and use was increasing. The reasons given for lack of machinery partnerships were that due to weather conditions the machines owned cooperatively are frequently needed by each of the farmers at the same time. It was also stated that some farmers take good care of machinery while others do not and that often neighbouring farmers have rough and stoney land which causes breakages in the implements. There is a considerable amount of custom work in some areas. Often too, farmers rent more specialized machinery to their neighbours.

A study made by the Canada Department of Agriculture showed that in south central Manitoba in 1955 about 85 per cent of the farmers owned combines and 25 per cent of these combines were owned in partnership. About 87 per cent of the farmers owned swathers of which about 19 per cent were owned in partnership. A survey in the Waskade soils area in the same year showed that about 89 per cent of the farmers owned combines and 15 per cent of these were owned in partnership. About 87 per cent of the farmers owned swathers, 12 per cent being owned in partnership. In 1955 about 10 per cent of the crop acreage in these areas were swathed and combined by custom operators.

The second self-help area is in the cooperative manufacturing and supply of farm machinery. Throughout our questionnaire replies there were many farmers who referred to the operation of Canadian Co-operative Implements Limited and recommended that many more farmers should give their full support to this organization, and that it should have a wider coverage and become more involved in manufacturing. C.C.I.L. is not the only example of cooperative activity in the farm machinery field in Canada, although it is

probably the major one. Co-operative Federée de Quebec is also extensively in the business of selling farm machinery, to mention what is probably the other major operation.

The objective of C.C.I.L. in the beginning, was to sharply reduce costs of purchasing farm machinery by slashing unnecessary selling costs. We believe that this is still a valid objective, and given sufficient producer support could be accomplished. But the task has not proved an easy one. We expect that you will be hearing representations from C.C.I.L. and the Co-operative Union of Canada, and we will content ourselves in this submission to registering as strongly as we can our belief that in cooperative self-help there remains a major area for farmer gains as far as farm machinery costs are concerned.

The third area, that of individual self-help, was mentioned in a number of connections by producers replying to our questionnaire. In particular the following suggestions were made by farmers to us:

1. That pre-season check-up and repair of farm machinery by farmers would considerably ease the danger of getting caught in peak-season breakdown and repair problems.

2. That there is room for more education and information for farmers concerning the care, operation and maintenance of their machinery. The need for increased opportunities for instruction in the use of the more complicated forms of machinery was mentioned in this connection.

RECOMMENDATIONS

The farm machinery question has been a subject of many inquiries in the past, but there has been little agreement on what action should be taken to lower costs and correct difficulties experienced by farmers. However, we believe there are some things which can be done to make a contribution in this direction. Doing them will involve the cooperation of governments, of machinery companies and of farmers themselves.

The recommendations which follow will, we hope, make some contribution to this enquiry.

I—Price maintenance and monopolistic control

A 1957 memorandum prepared for a special conference by Canadian Co-operative Implements Limited stated: "The year 1953 marked the end of a period, a period of about half a century of iron-clad agreement on prices between the machine companies culminating in eight years of phenomenal sales and profits for the companies and big savings for C.C.I.L.". This statement is interesting on two counts: The first being that it indicates that over a long period the degree of actual price competition in the sale of farm machinery was very limited. The second being that after 1953 a change took place in this situation in face of a severe drop in farm machinery sales, particularly in Western Canada. There is no doubt that over a long period of years farmers have felt that inadequate price competition existed in the field. Perhaps there is little or no problem in this respect today. However, in order to find out and get the picture clear,

We recommend:

That the matter is of sufficient importance that competitive conditions in the industry might well be investigated under the Combines Act. Section 42 of the act provides for the carrying out of enquiries "concerning the existence or effect of conditions or practices having relation to any commodity which may be the subject of trade or commerce and which conditions or practices are related to monopolistic situations or restraint of trade."

II—Costs of distribution, sale and repair of farm machinery

It is the belief of the Canadian Federation of Agriculture that costs of distribution, sale and repair of farm machinery are unduly high. We do not necessarily claim that excessive profits are made by dealers in farm machinery and parts. This may be so in some cases, but we are more inclined to think that the trouble lies in the excessive costs involved under present conditions.

We recommend:

That in the interests of constructive thinking and action in this field the government of Canada should order an expert inquiry into the whole business of the distribution of machinery and parts from factory to farmer, and into repair business. The purpose should be to determine the exact nature of the distributive costs involved in the farm machinery business, and the savings that might be realized, without loss of efficiency and necessary service, by its more rational organization. We would emphasize that what we are requesting here is an expert enquiry, somewhat along the lines of technical management and cost studies. We think this could be done and that it would be of very great benefit and usefulness.

III—Standardization

The Canadian Federation of Agriculture attaches very great importance to the need for taking all possible steps to achieve: (1) greater standardization of farm machinery parts, and (2) a correction of what our people believe is an altogether excessive tendency to put new models on the market at frequent intervals, and to have too many different models in lines of farm machinery. In discussing this question we recognize that we are talking about a North American, and not just a Canadian, situation. It may very well be that in implementing our recommendations in this connection it would be necessary to undertake a substantial degree of international consultation.

We recommend:

(a) That this committee explore ways and means and make recommendations for a thorough study to be made (perhaps by the standards branch of Trade and Commerce, or by the national research council) into the extent to which component parts of machinery and equipment used by farmers could be made uniform so that they would be interchangeable between different models, different machines and different manufacturers. This study should also examine the degree to which there could usefully be standardization of parts within lines of machinery. Finally, it should examine the degree to which there may be a needless degree of proliferation of models, and explore the economic implications of this.

(b) That such a study having been made (or prior to its being made) that a formal advisory committee of farmer representatives, farm machinery manufacturers and representatives of government be established to give continuing attention to the problem of standardization and simplification in farm machinery parts and manufacture generally.

IV—Testing and research service

The establishment of testing stations or organizations, of which the Saskatchewan agricultural machinery administration is an example, would be of great value to farmers in every province. One station might be set up to service the Atlantic provinces, one for each of Ontario and Quebec, another in the prairie provinces besides the one now in operation in Saskatchewan, and one in British Columbia. These stations would provide detailed performance testing and inspection of machinery and repair parts for farmers. They could also help farmers to become more efficient by giving them advice on the types of machinery and equipment best suited to the soils and topography of their farms, the kinds of crops they grow and other characteristics of their farming operations. Administrators of these test stations could also keep a watchful eye on the adequacy of the stocks of repair parts available and of the services required by the farmers in the areas they serve. These testing stations could be financed and operated by provincial governments and to avoid duplication in their testing operations there would need to be continuous consultation and co-operation between the administrators of the various stations in the different regions of Canada.

There are also certain areas of research and testing in farm machinery that need not be directly related to the farming conditions in particular areas. In such cases universities and agricultural colleges may be the best place to get the work done. We understand such work could be usefully expanded.

We recommend:

That the Federal government assist substantially in financing a Federal-Provincial program of farm machinery testing across Canada, and an adequate research program into farm machinery requirements. To avoid duplication of work this whole program should be carried out on a co-ordinated basis, and the greatest possible care should be given to ensuring that (i) pretesting of farm machinery is carried on to ensure that machinery is not put on the market until reasonable assurance that it is adequate for the job is obtained, and (ii) results of test on farm machinery sold, and evaluation of them in terms farmers can use and understand, be given wide distribution and publicity.

V—Farm machinery administrations

We recommend:

An extension not only of testing and information programs for farmers, but of farm machinery administrations in each province which can work with machinery companies (and co-operate between themselves) to develop improved patterns of dealerships, and repair and parts services. Strict legal requirements regarding the availability of parts, and a system of licensing of dealers in the interests of long-term improvement in the distribution structure, should be established as part of the work of a Farm Machinery Administration in each province.

VI—Grade standards for rubber tires

We recommend:

The establishment of grade standards for rubber tires. This recommendation has importance extending beyond the farm machinery field. It is of particular relevance to automobiles and trucks, since here there are important considerations not only of equality, but of public safety involved.

This brief is respectfully submitted by the Canadian Federation of Agriculture.

APPENDIX "A"

*Questions Asked In Canadian Federation of Agriculture Questionnaire
On Farm Machinery Prices, Repairs and Services*

1. What are the problems and difficulties being experienced by farmers in your area on supply and price of agricultural machinery, implements and equipment? Comments might include:

- (A) Price competition between dealers representing different manufacturers.
- (B) Changes in prices of machinery parts and services over a period of years.
- (C) How satisfactory is the quality and suitability of farm machinery available to producers?
- (D) How do the prices being received for farm products affect the purchase of modern farm machinery?
- (E) To what extent are producers cooperating in the purchase and use of farm machinery equipment?
- (F) How adequate are credit facilities, and what problems arise?
- (G) Other aspects of this question.

2. What problems and difficulties are being experienced by producers in respect to the obtaining of parts and the servicing of repairs to farm machinery and equipment? Comments might include:

- (A) Is the service of parts and repairs adequate?
- (B) Are prices of parts and repairs reasonable?
- (C) How far on the average must farmers go to obtain parts and repairs?
- (D) Other aspects of this question.

3. Standardization of farm machinery and parts has been widely recommended. In what respects do you think this is desirable and possible? What problems do you encounter?

4. What solutions can you offer to the problems of producers with respect to farm machinery prices and equipment, the supply and servicing of parts and repairs and the efforts of farmers to purchase more efficient farm machinery and equipment?

(NOTE: If in your area there are separate producers such as grain, dairy products, beef, hogs, poultry, fruits, vegetables, canning crops, tobacco, etc., as well as general farmers, or those producing a number of different products, it would be useful in analyzing the results of this survey if you would classify your answers by the different types of farm enterprises. Experiences from individual producers would be useful.)

In the discussion of this brief I would appreciate it if we could have Dr. Hopper and Mr. Kirk join in the discussion.

The CHAIRMAN: Thank you very much, Dr. Hannam. I was just wondering if Dr. Hopper or Mr. Kirk had any statements they wished to make before we throw the meeting open for discussion?

Mr. THOMAS: Is it the intention to include this complete brief in the report of the proceedings for this morning?

The CHAIRMAN: Yes, Mr. Thomas.

Mr. THOMAS: If so, I suggest it be included in its entirety, that is, not only the text you have read but also the explanatory statement you made in the course of the reading.

The CHAIRMAN: It will be included in the proceedings.

Mr. DANFORTH: In the presentation of this brief—perhaps I am wrong—I have come to the conclusion that one very great area has been avoided by the federation of agriculture. I would like to know about this.

It is my impression that in this brief the federation has strayed away from anything dealing with the manufacturers themselves. There has been no suggestion on the part of the brief that any inquiry or research be taken into the matter of, perhaps, excessive profit on the part of the manufacturers of farm machinery. There has been no assertion that the companies be asked to undertake a greater part in the testing of their machines.

I submit that there has been no suggestion that the companies should combine to set up their own testing situation for farmers. In no way, does it seem to me, has the federation put any onus on the manufacturers of machinery, where initial costs are increased.

I wondered if it was stipulated that they should stay out of this field, or if they did it for some definite reason. It seems to me that this is the very organization which should be asking that something be done to determine why the initial cost of machinery and repairs should be increased to such an extent.

The CHAIRMAN: Perhaps Dr. Hopper would care to reply?

Dr. W. C. HOPPER (*Economist, Canadian Federation of Agriculture*): You must remember, sir, that 82 per cent of the machinery used by our farmers represents imports, and that of the production in Canada 76 per cent is exported. That is one of the reasons we mention that this is a North American problem, and should result in consultation between our governments, that is, between the United States and Canada.

Mr. DANFORTH: I submit there is nothing contrary in your brief. You do not even ask that we investigate this field. That is what concerns me.

Mr. DAVID KIRK (*Secretary, Canadian Federation of Agriculture*): There are two or three points here. In the first place we have a recommendation that under the combines legislation a very careful inquiry be made into the situation.

Mr. DANFORTH: That is concerned with price fixing.

Mr. KIRK: That is right, into the circumstances of price fixing; but that is relative to the manufacturers. The manufacturers are also the ones who determine the form of the distribution, as it were. You are quite right. We feel that as a practical matter it is within the field of distribution costs that we are most likely in fact to make real improvement, and in standardization. We are asking for co-operation, in three or four respects, of the companies there.

In the testing field we are inclined to think that what you need is a public testing program, that is, one that is publicly carried on in the interests of farmers.

Now, on the question of why we did not deal more extensively with the possibility of excessive profits on the part of farm machinery companies, let me say this—

Mr. DANFORTH: And would you include a generalization as to why you did not include the excessive profits of the companies themselves as well as of the distributors? Could you tie the two in together?

Mr. KIRK: I think that we have no evidence. Perhaps this is just due to lack of adequate research on our part. Perhaps the committee would be able to determine this situation from the manufacturers. But we have no evidence before us that would be adequate, in our opinion, to make a confident statement as to excessive profits earned by the farm machinery company. Consequently, we did not make such a statement.

We certainly could agree with you that this is a very proper matter for inquiry, and we hope that the committee will satisfy itself on the position in this regard. But we did not have this evidence, and that is the principal reason.

We were not able to establish statistically that farm machinery prices have increased very greatly having regard to the increase in comparable things, or having regard to the increase in the price structure. There are many price indices that have gone up less than those for farm equipment—those for fertilizers, for petroleum and for textiles. In the fields that are more directly comparable in price indices in the iron and steel products field, we are not satisfied completely that we could present evidence to this committee that farm machinery has a unique position in the price field, in the sense of having achieved a much greater level of price increases than in other fields.

Mr. ARGUE: Surely that is not the point. You are throwing in the towel in regard to looking at manufacturers' profits, if you say that they are no worse than the rest of the gang in the field. That is not what we are looking at. The members of the committee feel—and that is the reason for the committee—that farm machinery prices are excessive, and that there is reason to look at them.

Mr. DANFORTH: Can we conclude that it is the premise of the Canadian Federation of Agriculture that as we see them the drastic increases to farmers follow on two main lines—the cost of distribution and the lack of standardization? Is that the basic reasoning behind the brief of the Canadian Federation of Agriculture?

Dr. HANNAM: We do not feel that we have the kind of technical staff that could go in and enable us to make a charge against the cost of manufacturing machines. The only body that we did have a right to go to and get information from was the Canadian Co-operative Implements in Winnipeg, which we did. I do not want to say what their presentation will be. The result of our discussion with them bears out the presentation we have made here in the brief. We just have not made any charges against the farm implement companies because we were not in a position to substantiate them. On the other hand we did not make any statement to clear them of all blame.

Mr. DANFORTH: Perhaps to facilitate your position, could I get it another way? In the questionnaire sent out to farmers, were they in any way asked to give an opinion or to express any principle at all that they felt the companies were making excessive profits, or that distributors were making excessive profits? Did you, in your questionnaire, ask for an expression of opinion of farmers in this particular field?

Dr. HOPPER: On page 6 there is a statement on prices of farm machinery:

Farmers are unanimous in their belief that prices of farm machinery equipment, repairs and service are excessive.

This was one of the answers we got. They said they believed they are excessive.

Mr. ARGUE: But you are not sure?

Dr. HOPPER: We do not have the research facilities to go out and determine to what extent.

Dr. HANNAM: We did not ask them did they believe the cost of manufacture alone was excessive.

Dr. HOPPER: We did not ask them.

Mr. DANFORTH: I am trying to find out why the federation quitted. I appreciate that the federation cannot go into an inquiry such as this. We feel that that is where we come in, that it is our job to do that. I am surprised that

the federation did not ask that we do this. That is my concern, why the federation did not ask about what would be a vital part in the price of farm implements. That is why I asked if there was any definite reason why this was not done.

Mr. KIRK: The reason is not at all that we did not want such a thing examined. The examination of such a question involves the whole structure of our industrial system. It involves, for example, the price of steel in a very important way and all the questions arising in connection with a rise in steel prices—and many people think that these have been excessive. We felt, perhaps wrongly, that we would not go into this area, that we would concentrate on those areas, we thought, within the terms of reference of our authority from our member bodies, we could make recommendations with regard to economic policy. We decided to restrict ourselves to recommendations where we could concretely suggest things that would be of real monetary value. If this committee can tackle this other thing, there is nothing our people would like better; and perhaps, as you say, we should have made this suggestion to the committee.

Mr. DANFORTH: Is it your feeling this morning, for the record, that the federation feels this field should be gone into?

Dr. HANNAM: Oh yes. We just felt we were not qualified to go into it, but we certainly would be very happy if the committee here would decide they should do so. We asked for an expert inquiry into competitive costs from the standpoint of price competition. That could apply to the manufacturer. We would be very happy to have that apply to manufacturing as well.

Mr. NASSERDEN: Do you not cover it on page 24 when you say:

A 1957 memorandum prepared for a special conference by Canadian Co-operative Implements Limited stated: "The year 1953 marked the end of a period of about half a century of iron-clad agreement on prices between the machine companies culminating in eight years of phenomenal sales and profits for the companies and big savings for C.C.I.L.". This statement is interesting on two counts: The first being that it indicates that over a long period the degree of actual price competition in the sale of farm machinery was very limited. The second being that after 1953 a change took place in this situation in face of a severe drop in farm machinery sales, particularly in Western Canada. There is no doubt that over a long period of years farmers have felt that inadequate price competition existed in the field. Perhaps there is little or no problem in this respect today.

Mr. FORBES: Were price controls effective up to 1953?

Dr. HANNAM: Wartime controls were not in effect up to that time.

Mr. FORBES: In what year were they discontinued?

Dr. HANNAM: About 1947, I think.

Mr. MUIR (*Lisgar*): In the discussion with C.C.I.L., prior to presenting this brief, did you get any relative costs of replacement parts compared to what the cost of parts in the new machines would be? In the brief you mention that the cost of parts particularly is excessive.

Dr. HANNAM: Yes.

Mr. MUIR (*Lisgar*): Then do you have any relative figure to show that the replacement part is costing more than the machine company places on the original part?

Dr. HANNAM: In the answers to the questionnaire there is a lot of evidence which is given in the single-spaced paragraphs, to this effect.

Mr. MILLIGAN: I, like Mr. Danforth, was a bit concerned. I did not feel we could use most of this brief as a basis for questions. Had you gone into the price of steel in 1953 in comparison with 1960? Would it be possible to make a comparison on the increase?

Dr. HANNAM: We did not make that analysis although we did get the distinct impression from the C.C.I.L. that the price of steel was a major factor in the cost of farm machinery, that is, the rising price of steel. This, I think, was made clear to us by the manager or president of C.C.I.L.

Mr. ARGUE: It has already been said that one of the important points in the brief was the opinion that the distribution costs could be reduced. I am wondering if you could tell us the percentage of the retail price that distribution costs now constitute. What is the dealer's mark-up? How much does the dealer get? Right through this brief there seems to be an opinion that the dealers are getting too much—or conversely that you could have fewer dealers and then you could make savings in that field. If this is the place where the big savings are to be made, what is the cost to him, what are the dealers' mark-ups?

Mr. KIRK: We have no data on that, unfortunately. You will recollect that in the brief we took the wholesale prices in an attempt to estimate at the farm level what the total expenditure on machinery and parts was. We increased the wholesale prices to get at the retail figure and the figure we used was 25 per cent which we considered to be the minimum margin from the wholesaler to the farm—the retail margin.

Mr. ARGUE: That is the retail dealers' margin?

Mr. KIRK: Yes.

Mr. ARGUE: My guess is that that would be a little high. In the 1930's the dealer's mark-up was 15 per cent. Probably it has been increased since then. I would doubt very much that the margin at which a dealer operates is 25 per cent—it is more likely to be between 15 and 20 per cent. I wonder if you have any information on the profits that dealers make; never mind the mark-up. I think the farmers realize that the dealers pay more than the trade-ins are worth. Very often I think the dealer is in as bad a position as the farmer. I think there is a tremendous amount of pressure put on the dealer by the manufacturer to buy spare parts, to buy combines, tractors and so on. He is loaded down by the company, and under tremendous pressure. He appears to have a big margin, but, I suggest to you and I would like your information on this, that the dealer is making a very significant profit. If he is making a living, he is doing very well in most instances. I would like your comments on that. What I think you have done is to single out the little guy. You made a frontal attack on him, and you have the wrong person altogether. I could not agree more with Mr. Danforth.

Dr. HANNAM: I do not know where the sentence is now, but we said we were not accusing dealers of making excessive profits. We said that they might, in some cases.

Mr. ARGUE: If you wiped out 50 per cent of the dealers overnight and started out tomorrow with half the dealers, how would you make a saving? How would this help the farmer?

Mr. NASSERDEN: That is a question we should ask the machine companies.

Mr. ARGUE: Since the main contention of this brief is that distribution costs are too high, you have too many dealers, I wish to know, if you wiped out half of them tomorrow, what your saving would be? My guess is you would not save anything.

Mr. FORBES: I would say that you would save 50 per cent of the dealer's mark-up, because he would make the profit on the volume of his turnover.

Mr. ARGUE: That is the manufacturer's concession because of turnover.

Mr. FORBES: You are concerned with the dealer.

Mr. ARGUE: I am concerned about the percentage of profit. If you have twice the volume, you will have twice the profit.

You talk in here also about the dealers being five miles apart. I do not see this at all. Certainly there are some dealers who live five miles from some other dealers, but my impression is—and you have the statistics—that the companies are gradually cutting down their dealerships. There may be an increase in companies but I can think, in my own locality, of a great many small towns where there are no dealers, where a few years ago there were dealers. I would say you have a situation where in a given company there is something like 25 miles between dealerships, rather than five miles although, because of the multiplicity of companies, you may have five miles between some dealers of different companies.

Dr. HANNAM: Mr. Chairman and Mr. Argue, we gave you figures, and they were from your own government in Saskatchewan, saying that the number of dealers is the same as ten years ago.

Mr. ARGUE: And more companies.

Dr. HANNAM: This is the only figure we have.

Mr. ARGUE: My impression is that the number is down, but I am subject to correction. This is no statistic, it is no research, it is just my knowledge that as the small towns get smaller, and the dealers fold up, very often they are not replaced.

The CHAIRMAN: Can I ask you a question, Dr. Hannam? On page 7 there is a statement by Mr. J. T. Kyle. He mentioned that in 1959 the dealership was 1,850. Have you the figures available for ten years ago?

Dr. HANNAM: He said here himself: "a number not significantly different than it was ten years ago".

The CHAIRMAN: Have you the exact figures?

Dr. HANNAM: No, he did not give us the figures.

Mr. MILLIGAN: As far as dealers are concerned, you have a figure for Ontario. I doubt if we have dealers within 25 miles with a particular make of machine. Any place I know runs at least 25 to 30 miles.

Mr. HORNER (*Acadia*): My question deals with page 11. Dr. Hannam stated the increases in prices of various machines—and I think that this is pretty good, to have these machines listed and the exact prices of such and such a machine, and the increases—but the problem we are confronted with is why the increase, why this 65 per cent increase on a 12-foot swather from 1950 to 1960? Why is there a 311 per cent increase on pulleys for a combine from 1951 to 1960? They have stated that these increases could be reduced by a greater speeding up of dealer handlings, more efficiency in dealer handlings, greater testing, greater standardization and larger stocks of repair parts kept at branch offices. I wonder why, however, the percentages that dealers are making, or that the dealers are taking, in order to cover their costs, have increased, say, on a 12-foot swather, to 65 per cent? Where is the 65 per cent increase? What percentage of that increase do you attribute to dealer handlings or testing or standardization or repairs in branch offices? This is something that we, as a committee, should try to locate.

Dr. HANNAM: I would agree, but I do not see how we could do that. You would have to have special technically efficient men to go into that type of thing, would you not?

Mr. HORNER (*Acadia*): You suggested to the committee that the estimated dealer percentage is 25 per cent. Do you consider that this percentage has been on an increase since 1950?

Dr. HANNAM: We said we believe there was more competition in price, that is, the men selling machines to farmers were competing in price, and one man was lowering his price in order to meet competition with the other one, or giving more on trade-ins.

Mr. HORNER (*Acadia*): This is true, but would this greater competition not have a tendency to lower the margin that the dealer would take home, and therefore, in taking this 12-foot swather, the percentage of this 65 per cent increase going to the dealer would be relatively small. The major part of the increase is somewhere else.

Dr. HANNAM: We really did not say that the dealer was getting 65 per cent.

Mr. HORNER (*Acadia*): I am trying to find out what part of that 65 per cent you thought the dealer was getting?

Dr. HANNAM: We do not know.

Mr. HORNER (*Acadia*): I have another particular point that I think the brief could have perhaps dealt with, or the questionnaire to the farmers could have included, and that is, as a practical farmer, I have bought machines, have taken them for repairs and found that there was a choice. I could buy three different cutting knives to fit three different mowers. Why the company want three different knives to save the mower is beyond me. One cutting bar was made in England and the other in Detroit, and so they sell them. It was a heyday for the dealer. He had to stock both cutting bars. I think the companies themselves should bring about greater standardization. This is not mentioned to any extent. You mentioned standardization on an over-all basis, but no standardization to any great extent within a machine.

Dr. HANNAM: Yes, we did say that there was room for standardization within lines of machinery, that is, within the one company. We certainly intended that it should be there.

Mr. HORNER (*Acadia*): I may have interpreted it otherwise.

Mr. MILLIGAN: Are these list prices or retail prices on these machines?

Dr. HOPPER: I presume they are retail prices.

Mr. PHILLIPS: I would like to direct a question to Dr. Hannam. At page 25 of the brief you say:

We would emphasize that what we are requesting here is an expert inquiry, somewhat along the lines of technical management and cost studies.

I am wondering what type of expert you had in mind to investigate the experts which are maintained by the companies.

Dr. HANNAM: Do you not think this is an answer to the question Mr. Danforth asked; that is, why did we not ask that this be investigated. Certainly major companies are going to operate in such a way that they will get the maximum profit if they can, if things can be done to provide farm machinery to dealers and farmers at a low cost without sacrificing efficiency or quality in the product, it should be done. I think often there are benefits which can be obtained by some public supervision of these things.

Mr. PHILLIPS: Then I take it your recommendation does not refer to complete organization or anything of that nature, but rather to costs.

Mr. KIRK: That is right. The reason we mentioned management and cost studies was to indicate the nature of the information we want. In this case we were not speaking of the company; we were speaking of the distributive system. I think that probably the companies do not maintain a full costing procedure including the costs of the business conducted by independent dealers. That would come into the study.

Mr. MONTGOMERY: My question is supplementary to Mr. Horner's questions. On page 11 the increases mentioned there are shown in percentages. I take it that this would start right back at the mine. There is the labour, the cost and the machinery used. It goes right on down to the farmer and includes freight rates and capital costs. In order to find out what percentage the dealer, the railways, and labour get, we would have to go into this in very great detail. Is that right?

Mr. KIRK: That is why we did not feel we could make positive statements in respect of that.

Mr. MONTGOMERY: I understand that. It seems to me that in order to find out where the cause of the increase is somebody has to go into this in very great detail.

Mr. KIRK: Yes.

Mr. CLERMONT: No doubt your questionnaires have been sent out throughout Canada. There would be some sent to the province of Quebec.

Mr. KIRK: Yes.

Mr. CLERMONT: I note that you have made no comparison between 1951-52 dairy product prices and today's prices. Have you any idea how many of these questionnaires were sent to the Canadian farmers? Would the number be 2,000 or 25,000?

Dr. HOPPER: In some cases the replies came in in a condensed form. Some of the organizations condensed the replies and sent them in. That was true in the province of Quebec.

Mr. CLERMONT: Would that apply in the case of L'Union Catholique?

Dr. HOPPER: Yes.

Mr. CLERMONT: Did they make any suggestions in respect of the prices for dairy equipment?

Dr. HOPPER: Not particularly; they did not specify this.

Mr. MUIR (*Lisgar*): Further to my previous question, I note from the questionnaires to farmers that the farmers thought repair parts were excessively high. In your discussions with the C.C.I.L. were you given any reason why a replacement part should cost 50 per cent more than the original part on the machine? Did they indicate that from their experience they believed it was necessary that the mark-up on the replacement parts should be excessively high?

Dr. HANNAM: I cannot recall that, but we would not have thought of including it in our brief in any event, because they know much more about it and are planning to make a presentation to you.

Mr. SOUTHAM: Mr. Chairman, we are basing this inquiry into the price of farm machinery on a widespread demand on the part of the public for pertinent facts. The interest in Canada is indicated by a summary which I have received from the national farm radio forum which made a radio inquiry across Canada. This forum has summed up its information in a summary under date of March 6, 1961. Their topic is "profit or loss with machinery". They have condensed 284 reports from groups with a total attendance of 3,237. In this summary they asked a number of pertinent questions and obtained intelligent comments from these people right across Canada. I wonder

if I might have the permission of the committee to incorporate this into our minutes of proceedings and evidence so that it may be used when we are studying the other briefs.

Agreed.

(See Appendix.)

Dr. HANNAM: We greatly appreciate that. It is something we might have done ourselves.

Mr. SOUTHAM: I think it will be very effective.

Mr. REGNIER: On page 28 of the brief there is a reference to "strict legal requirements regarding the availability of parts". I believe most provinces have statutes regarding farm machinery parts. Would you say that these statutes are inadequate, or have you studied the different statutes in all the provinces?

Dr. HANNAM: No; not in respect of all provinces.

Dr. HOPPER: Only two provinces require that parts be maintained for a period of ten years.

Mr. REGNIER: Should there be a request made to the different provincial governments to institute such laws and to have these laws co-ordinated so that they would all be alike?

Dr. HOPPER: I think it would be very useful if the provinces did require that the farm machinery manufacturers maintain parts for ten years. Only two provinces, Alberta and Saskatchewan, have this requirement now.

Mr. REGNIER: I know they have it in Manitoba.

Mr. FORBES: I think on the contract for sale the company commits itself to supply parts for ten years. I have one here. I do not have my glasses with me, but Mr. Pascoe is looking it over.

Mr. PASCOE: Would you like this on the record? I will read it:

3. The vendor warrants that all necessary repairs for the machinery other than standard bolts and nuts or straps, or other iron or wooden parts usually made by blacksmiths or carpenters, will, for a period of ten years from the date of this order, be kept at Winnipeg in Manitoba or at Brandon in Manitoba, and that at that place the purchaser will be able to obtain them within reasonable time.

The CHAIRMAN: This would be the proper time to adjourn. The committee will meet again this afternoon at 2.30.

AFTERNOON SITTING

FRIDAY, April 14, 1961

THE CHAIRMAN: Gentlemen, we have a quorum. Before we commence our afternoon proceedings, I am going to ask Mr. Lyons, our clerk, to read a telegram which he has received from the Alberta wheat pool.

The CLERK: Mr. Chairman, this is a telegram in regard to an error in the brief which you received in the mail this morning. The telegram reads as follows:

Regret error in chart 11, page 9, of Alberta wheat pool farm machinery brief. Retail prices index should be 126.5 for 1959 and 128.0 for 1960.

J. W. Madill, Alberta Wheat Pool, Calgary, Alta.

The CHAIRMAN: The members may wish to make that correction in the brief they received this morning.

During the luncheon recess the Canadian Federation of Agriculture prepared a supplementary comment in connection with discussions that took place this morning. I am going to ask Dr. Hannam to read this into the record at this time.

Dr. HANNAM:

Supplementary comment by the Canadian federation of agriculture to the House of Commons committee on agricultural and colonization (farm machinery)

April 14, 1961

We would like to make a brief statement in reply to a statement of Mr. Argue that our presentation singles out the "little man" to attack and leaves major economic interests alone. The point was of course raised in another form by other members of the committee, especially by Mr. Danforth. We do not at all agree that we have singled out the little man or left the farm machinery companies out of the picture.

In the first place, with respect to our observations on the distributive system, we would point out that the nature and functioning of the distributive system is determined by manufacturer policy, essentially, and our criticisms of the system are essentially criticisms of the manufacturers. We did not make the claim that the problem lies in excessive earnings by dealers, in fact we said that we did not think this was so, but rather that the overall cost of the distributive system is too high, which is quite a different thing. Our submission stated (p. 25):

It is the belief of the Canadian Federation of Agriculture that costs of distribution, sale and repair of farm machinery are unduly high. We do not necessarily claim that excessive profits are made by dealers in farm machinery and parts. This may be so in some cases, but we are more inclined to think that the trouble lies in the excessive costs involved under present conditions.

That is, in the over-all selling and distributing system.

In the second place, a private enterprise economy such as ours is founded on a basic reliance, however misplaced it may be in the opinion of some, on competitive forces to protect the consumer. In such an economy far and away the principal, if not the only, way for excessive profits to be gained is by successful efforts to maintain prices through monopolistic control, combination or some such method. We have recommended that this matter be closely and exhaustively examined.

In the third place, outside of high profits and distribution policies the principal way in which a manufacturer may contribute to excessive costs is through failure to achieve economies of manufacture in the way of adequate standardization, and reasonable model change policies instead of competing through expensive proliferation of models. In this field we have also recommended extensive investigation and action.

In the fourth place, we have made recommendations for public testing regulatory and information programs that, if adopted, would place the manufacturer very much on the spot to standardize, reduce unnecessary model changes, and put good products on the market at the lowest possible cost.

The CHAIRMAN: Gentlemen, the meeting is now open for discussion.

Have you a question, Mr. Thomas?

Mr. THOMAS: Mr. Chairman, in connection with this supplementary statement by Dr. Hannam, could he enlarge a bit on what the excessive costs are that are mentioned in this particular paragraph. I am referring to the sentence:

This may be so in some cases, but we are more inclined to think that the trouble lies in the excessive costs involved under present conditions.

I heard the word "excessive" used several times this morning, and I am wondering about the possibility of substituting the word "inequitable" in place of "excessive". I have experienced difficulty in defining, in my own mind, just what the word "excessive" implies. Costs of farm machinery, like other costs, are a matter of comparison, and it would appear to me that the word "excessive" might not be the word that should be used in this case. I would like to hear Dr. Hannam's reaction to the use of the word "inequitable", rather than the word "excessive".

Dr. HANNAM: It would seem that the opinion of the farmers of Canada from coast to coast is that farm machinery prices and more particularly parts and repair prices are too high. If they are too high, then there must be excessive margins somewhere. Farm machinery companies may be able to tell you that in the case of a certain implement the manufactured cost amounts to such-and-such, and the distributive cost between the factory and the farmer amounts to another percentage. It is our thought that this second percentage is altogether higher than it needs to be or should be. As to whether or not the word "excessive" is the right word, I am not in a position to say, although I think it is a very expressive word. The farmers of Canada certainly believe that that margin is excessive.

Mr. THOMAS: Do you feel, Dr. Hannam, that you have submitted proof in this brief that these costs are excessive? I know you made the statement, and I accept what you say. It is a descriptive statement, and perhaps it is the best that can be used. However, are there excessive costs? That is the point we are endeavouring to clear up, and I would like to hear a statement from the federation as to what proof they have concerning excessive costs.

Dr. HANNAM: I hardly see how we can present proof unless we go into an exhaustive study of these margins. In most cases we do not know what the manufacturer's price is. We have no authority to go into it. I do not think the machinery companies would give that information if we went and asked for it and if they knew what we were going to use it for. We have tried to bring to you, as a committee, the opinion of the farmers of Canada. We have summarized all the questionnaires we received and said: this is the opinion of the farmers of Canada. You are going to hear all of the manufacturers. It seems to me they should answer questions as to what is the percentage involved in manufacturing and then in the distributive margin of the prices.

Mr. THOMAS: After they give us that information, are we going to be in a position to say these are excessive costs? On what are we going to base that comparison? How can we know when a cost is excessive?

Dr. HANNAM: If you are not in a position to know that, maybe you would consider accepting our recommendation that a further expert inquiry, with authority to go into costs, could be instituted by the government. I do not know any other way.

Mr. THOMAS: I might ask another question or two. We know that in general retail trade in this country costs have gone up because of the demands—I do not know whether the word "demands" is quite right—the choice of the consumers for frills, and what might be defined as luxuries in connection with

the commodities purchased. For instance, in the food market, we have gone into expensive packaging which may be quite justified from the standpoint of sanitation and facility in handling. What about the same situation as it applies to the farm machinery market? We can hardly criticize the machinery companies for putting a fancy seat with special springs on a tractor and for streamlining the blessed thing every year or two in a different way to conform to car models and make some of these boys think they are driving an airplane. I do not know that we could criticize manufacturing concerns for trying to cater to the demands of the purchasers of farm machinery. The statement here does not say that these are alleged excessive costs, or possible excessive costs. The statement is quite bare and distinct "that trouble lies in the excessive costs". It is an implication that those excessive costs are there. I do not want to labour that point any further, but I would like some reaction. Dr. Hannam, on the share of responsibility of the farm consumers themselves, the purchasers of farm machinery, for upping these costs of farm machinery in the way of frills.

Dr. HANNAM: I do not know how much there might be in what you say about better machines or improvements on the machines. It is true, I think. The farm machinery companies will tell you, when they are here, that they are forced to do some of these things because of competition—the other fellow is doing it, and they have to do some things to compete, otherwise their sales will fall. They might say it is because of the importance the farmer puts on a number of these things; that the farmer wants this and that, innovations, something new and something more comfortable or convenient. I think that even if that is true, to some extent, we have suggested indirectly that it could also be improved by having testing stations and supervisory stations to test each new machine before it is sold to the public. This would bring pressure on the machinery companies—all of them—to put out fewer models and better models, so that there would not be this extra competition. I think the machinery companies will also tell you it is perhaps the farmer's fault. They will tell you there is too high a cost in the number of demonstrations they have to give in order to compete with the other fellow, and in the number of times they have to bring someone from headquarters out to do this and that. This is perhaps what we mean by the over-all distributive system. The way it is done today is the kind of thing that builds up undue cost in the real job of selling machines. This is a program that is directed by the big companies, and I do not think there is any question of having them change their policy and perhaps reduce the selling price to the farmer. If all of them would do it, or if there were sensible regulations that required all of them to cut out the excess notions and costs, to have fewer models, to have more efficient dealers—as the Saskatchewan administrative officer has said—and therefore have a better supply of parts available for the farmer, it might have the time of the farmer as well as the time of all the agents in doing the job they have to do. This is our thought.

Mr. THOMAS: Is it the opinion of the federation that it would be possible or feasible for governments to regulate or direct the machine manufacturers and distributors in this regard; that is, limit the number of models they could make, or compel them to standardize both in Canada and in the United States? What are the possibilities in that field?

Dr. HANNAM: We are not suggesting an elaborate regulation to cover everything the machinery companies do, but our observation is that the administrative office functioning in Regina has already effected certain improvements in the dealer set-up and the distributive system for farm machines. We think if that were done with five or six similar ones across

Canada, introduced by the provincial governments, the work of that administrative officer, who necessarily has to work with the company, would not be entirely regulatory. Remember they say they must regulate dealers because we license them. There could be a few more regulations established for the testing of machines, and the administrative officers in the province would have to give their approval before the new machine was offered to the people. I think that in a few cases, where they license the dealers and where they test the machines and have to give approval before the machines go to the farmer, these two regulations alone might make a big improvement and might be welcomed by the farm machinery companies. It might relieve them of the need for trying to bring out a new machine every year. I do not suppose they would be able to do that because as it is now sometimes they bring out models at the last minute, even before they are perfected to their own satisfaction and they have more trouble with the first model than later models just because they hurried to get it out in competition with someone else, or before someone else got out with that particular idea.

Mr. THOMAS: My opinion, Dr. Hannam, is that this is a very good brief, and I enjoyed going through it. I think it is well drawn up. However, if we are going to delve very deeply into this whole matter of machinery costs, we will have to get below the surface here and there—I am sure of that.

There is one more question I would like to pose along a different line, and that is this: has the federation of agriculture considered, from the national point of view, the desirability of encouraging the manufacture of more of the machinery used in Canada? It is pointed out in the brief that 80 per cent of this machinery is imported. We have in Canada today a great deal of unemployment. Has the federation discussed this matter among themselves? Have they taken a stand on it, or would they be willing to discuss the matter of encouraging the manufacture of a greater share of the machinery which we use in Canada?

Dr. HANNAM: We would be very interested in that angle, and whether or not such a policy would mean better machines at lower cost for more Canadians. I am not in a position to comment on that. It seems to me, however, that the automobile companies and implement companies all make quite a point today of contending that a large output is the thing that enables them to lower the price. So that since we have no tariffs on farm implements either way between Canada and the United States, it may be that increasing the volume here in certain of our factories, and increasing the volume in certain factories in the United States would lower the cost of manufacturing machines. I know there are some people who believe if the automobile industry would adopt a different policy we would not have custom tariffs which make the price of our automobiles so much higher in Canada than in the United States. I have heard businessmen, who should be in a position to speak on this, say that this is one of the best solutions to remedy the high cost of automobiles in Canada. I do not know whether or not they would be right. If we have the volume of business that we want in our companies, does it matter whether implements are bought in the United States or whether they are bought in Canada? If we make them here, in Canada, to sell in Canada, would we be any further ahead? I do not know.

Mr. THOMAS: Would you subscribe, Dr. Hannam, to this statement: that farm machinery prices, in common with all other prices, are a matter of national concern, and should we not take the stand that we must get the best possible machinery for farmers regardless of its effect on the rest of the country?

Dr. HANNAM: There is no question about it.

Mr. HORNER (*Acadia*): My question is along a somewhat different line. I wonder if Dr. Hannam, in his study, came across any particular time when he thought machinery prices increased the most? I think that perhaps this question will come up in the studies of the committee. He stated, on page 11, that the cost of machines rose, and his figures are from 1950 to 1960. I wonder if he noticed, or if any of the members of this organization noticed, any particular time since, say, World War II, when machinery prices to the farmers increased at a rather sharper rate than at other times?

Dr. HANNAM: I will refer that question to Dr. Hopper or Mr. Kirk. They are both economists. They might do better on that.

Dr. HOPPER: There are some references on page 11 to changes from 1950 to 1960. Beyond those, I do not think we have any additional information.

Mr. HORNER (*Acadia*): Did machinery costs go up sharply, say from 1945 until 1950, or did they rise from 1950 to 1955 or 1955 to 1960, or was it a general rise at an even rate over the past 15 years?

Mr. KIRK: I am sorry, we do not have those figures here, but I think the picture certainly was, first of all, that there were sharp rises in prices up to 1951, and this was the major period of inflation in the economy as a whole. Farm machinery shares in that. It is also true that there have been significant increases in prices in 1950. There has been a fairly steady rise in the price level of farm machinery in the 50's. I think probably it would not be as rapid as in the period up to 1951.

Mr. HORNER (*Acadia*): That answers that particular question. I have another one here. I wonder if Dr. Hannam, or any other member of his group, made any study as to what machinery was selling for in other countries? Just recently International Harvester opened a big plant in Scotland for the manufacture of tractors there, and the question which comes to my mind is: what are those tractors being sold for in England and Europe, as compared with the price of tractors in Canada? Though I have referred only to International Harvester the same applies to other companies and, as members of the committee are aware, Massey-Ferguson carries out a large part of its manufacturing processes in England. Have any figures come to your attention in that regard?

Dr. HOPPER: No.

Mr. COOPER: I have been dealing with an investigation into excess profits on repairs and spare parts. I have experience of a charge of \$114 being made by the Cockshutt company for a tractor chain and yet I could get the same type of chain from a company in Saskatoon for only \$52. It is the same chain, though it may have a little red paint added to it, and that is the only difference. That company is making a profit by selling those chains at \$52, and yet Cockshutt charge \$114. Has the federation made any investigation into the high cost and profits on repairs?

Dr. HANNAM: We have not done that, but we are not surprised at those figures you gave in respect to repair parts because we have many reports of unduly high prices, or what appeared to be unduly high prices, for particular parts. This seems to be a conscious policy on the part of many of the implement companies.

Mr. NASSERDEN: Have you received any complaints in regard to the vagaries of warranties offered on farm machines, and did your organization make any suggestions as to something that might be in the contracts between the farmers and agents?

Dr. HOPPER: Not one of the farmers who replied to our questions mentioned that fact.

Mr. DANFORTH: Mr. Chairman, I should like to take exception to a statement made by Mr. Thomas about this brief and I wish to say that, actually, I am disappointed with it. I should like to elaborate just a little on that as I have some questions to ask. I appreciate very much the supplement added to the brief this afternoon, but I am still of the opinion that it is not strong enough and does not go far enough. I am sure it is not consciously done, but I feel this brief is going to make our task a little more difficult and I should like to illustrate the reasons why I say that.

In the supplement we have a statement as follows:

We—

meaning the federation.

—did not make the claim that the problem lies in excessive earnings by dealers, in fact we said that we did not think this was so.

My point is that other segments of the industry can use statements like that to their advantage, and I must say I register disappointment because of that. This is an investigation into the high cost, or so-called high cost of farm machinery, and it was at the instigation of farmers and farm organizations that our committee undertook this particular investigation. I am also sure that all members of the committee, whether consciously or not, relied to a great extent on the federation of agriculture—because of its national reputation—to bring before us points that farmers would wish to have investigated extensively.

I should like to know why it was that the federation laid down a policy of channelling its recommendations and suggestions into such a narrow field. I cannot understand that, and my questions this morning were based on that line. I cannot understand why it is the policy of the brief to narrow the investigation instead of seeking to have it widened into all fields, and why all segments of the industry were not investigated, and investigated thoroughly. The brief states that there is a feeling excessive costs exist but then, by such statements as that, goes on to assume that costs are not excessive in particular channels, channels which I have no doubt members of the committee want to investigate. Certainly, if I were one of the other channels of the industry being investigated, I would quote the federation that, in their opinion, there were not excessive profits in my particular segment of the industry. What is the reasoning behind this?

I have enough experience of briefs presented by the federation of agriculture to know the federation is perfectly capable of looking into all corners of problems, when it so desires. Why was the policy changed? Why has it been narrowed?

Dr. HANNAM: Mr. Danforth, we have not the slightest thought that our policy has been changed, and we do not admit that it has. I appreciate your saying that the federation has considerable prestige for its work, and we try to maintain that prestige. We have done an enormous amount of work on this brief. I do not know if that work is apparent, but we certainly did it. We have studied royal commission reports on farm implements and we have produced this brief, sincerely and conscientiously, as the best effort we can make on this particular subject. We do not consider that we are narrowing our study, leaving out any part of it, or anything like that.

As honestly as we could, we have been trying to put forward criticisms of the farm machinery business that we felt we had reason to substantiate. Beyond that we did not want to go because we did not feel we could back

up other charges. I agree with you when you say we could ask for an investigation into other things. We could have included a few sentences to that effect, if it would have helped, but I do not know that it would. However, in the case of dealers we did say this:

We do not necessarily claim that excess profits are made by dealers in farm machinery and parts. This may be so in some cases . . .

That is all we said and the farmers we questioned did not claim that the dealers were making excess profits. We did not say they were but we did refer to the number of dealers, to their efficiency and to whether or not they maintained sufficient supplies, and said that the whole result of the system was too costly. However, we did not make the dealer the scapegoat, or anyone else, for that matter.

Mr. DANFORTH: Dr. Hannam, I must be perfectly fair in so far as the federation is concerned and say it should certainly be complimented on the recommendations it has brought in, but my main point is that the federation did not go far enough. You did not get into the problem deeply enough and I should like the federation to come in here and ask this committee to investigate, on behalf of the farmers, to see if there are excessive profits, in part or in whole, on the part of the dealers, and to see if there are excessive profits, in part or in whole, on the part of the manufacturers, rather than to assume there might not be. It seems to me that the attitude of the federation is changing and that you are assuming such is not the case. There might have been some misconception about the statement that you could not substantiate claims, but certainly I believe you could question whether there had been excessive profits without having to substantiate your question.

Mr. NASSERDEN: I should like to return to the question I raised a moment ago. On pages 15 and 16 of the brief you have referred to a series of instances where parts had been slow in coming forward from the companies. Do you know were they breaches of the contracts in so far as warranties on machinery were concerned?

Dr. HANNAM: Yes, if they were on new machines.

Mr. NASSERDEN: I am thinking of a farmer who may have an eight-year-old machine or a four-year-old machine. The contract he signs states that spare parts will be kept for ten years but, even so, he may have to wait two months and at harvest time possibly a week, to get a certain part, a feeder chain or something like that, and that is an excessive length of time.

Dr. HANNAM: I do not think that would come under the warranty at all. It might, however, come under the law in respect to maintaining a supply of parts for ten years.

Mr. NASSERDEN: It is part of the contract?

Dr. HANNAM: Yes.

Mr. NASSERDEN: But you have not made any recommendations on that, or maybe I have not noticed them in the brief. You directed our attention to the problem, however.

Mr. KIRK: Perhaps that should have been brought out more clearly in our recommendation on the setting up of a farm machinery administration. It was certainly in our mind and we should have made it much clearer. We believe that the supreme duty of a farm machinery administration would be to administer the law in respect to parts, their distribution and the maintaining of an adequate supply of them. This, we suggest, should be a fundamental responsibility of such an administration in supervising the licences granted by it, and in ensuring that dealers lived up to the responsibilities of their licences.

Mr. NASSERDEN: I think this is a most important point because, during the last ten years, it has become a common practice for companies to disregard farmers in this respect. On two occasions I have had personal experience with new machines in their first year of operation, and I certainly believe the company did not have any regard for its contract nor for me as a farmer and the investment I had put into its machinery. I am sure that many farmers across the country would have liked to see something definite in the brief as to the attitude of the federation which represents them.

Dr. HANNAM: I have had experience of that myself, and no doubt about it.

Mr. BOULANGER (*Interpretation*): Dealing with what Mr. Danforth has said, I feel that he seems to want to give the federation rights which it does not have. When we asked the federation to present a brief we expected to be presented with a brief, and we were. It is an extremely fine brief, but the point is that we did not ask the federation to carry out an investigation on its own behalf. The investigation which is to be carried out is to be carried out by this committee.

Within the terms of the brief presented by the Department of Agriculture are certain indices which indicate fluctuations, rises in price of agricultural machinery. But there is no clear indication of actually prices paid for actual machinery.

It is up to the committee to examine the prices over the last ten to 15 years to establish a list of actual prices, and to determine what the increase in prices has been. Then we can determine whether or not these increases have been excessive. We can compare them, for instance, to increases in the price of automobiles, and such things.

Mr. MUIR (*Lisgar*): My question arises out of a suggestion by Dr. Hannam, when speaking for the federation before this committee. I understand he is suggesting that the committee recommend that an administration be set up in order to test new machinery and to regulate the standardization of parts.

Dr. HANNAM: And for the purpose of licensing dealers.

Mr. MUIR (*Lisgar*): Yes, to license dealers. Would you not consider, having regard to the wide variation in the types of farm machinery used throughout the country, that for this machine testing, the regulatory powers be placed under provincial jurisdiction rather than under federal jurisdiction?

Dr. HANNAM: Yes, we did consider that.

Mr. MUIR (*Lisgar*): Where would you bring the federal government into the picture in this particular phase of the situation?

Dr. HANNAM: Well, in our recommendations at the end, we suggest an expert inquiry into it from the standpoint of combines investigation.

Mr. KIRK: Yes, and there was also the suggestion for federal encouragement and the national application of this program through a federal and provincial financing arrangement, or through facilitating co-ordination of the work in the various provinces.

Mr. MUIR (*Lisgar*): Would you consider that the federal share in this thing would be to set up more or less of a co-ordinating council? Is that right?

Mr. KIRK: Yes.

Dr. HANNAM: To supervise and to finance.

Mr. SOUTHAM: Are you suggesting that the cost should be shared on a three-part basis, with the machinery companies contributing a fair portion along with the federal and provincial governments? Do you think that the levels of government and the machinery companies would stand to benefit directly

through prestige that they would get from having their machines pass the tests, and as a consequence they should be required to pay a share, or a part of the cost?

Dr. HANNAM: We did not go into that.

Dr. HOPPER: I do not know how they finance the Saskatchewan agriculture machinery administration. We did not ask about that.

Dr. HANNAM: I think there is an advantage in having the financing done by the provincial and federal governments, because if you have the machinery companies helping to finance a testing station, then they are going to have their say about how it is administered. That is not the idea.

You need this thing administered in the interest of the people who are going to use the machines. Therefore I think it would be better—my own thought is—that it would be better not to ask them to help to finance it.

Mr. THOMAS: I have one more question I would like to ask, and it is directly concerned with the matter of the increased price of farm machinery.

Now, we know that in the early days some of our farm machinery was rather cumbersome. I remember the early tractors. They used to travel at two miles an hour, with their steel wheels; and while they would pull a big load, still they were very cumbersome.

They did not begin to replace horses until another 15 or 20 years had passed, and the tractors themselves have become much more efficient and much more manoeuvrable, and had improved in many ways.

It was not until rubber tires came into use that tractors really began to replace horses on the farm.

Now, over the years—and this would apply, I suppose, and continue to apply all through the years—there has been an intrinsic increase in value and improvement in our farm machines.

Dr. HANNAM: That is right.

Mr. THOMAS: Farm machines today are much better than the farm machines in times past.

Dr. HANNAM: Yes.

Mr. THOMAS: Have the economists of the Canadian Federation of Agriculture arrived at any idea as to what part of the increased price of farm machines is due to the actual increased value, and not to inflation in our economic system?

Dr. HOPPER: We have not studied it, but there are studies going on, I believe, in the United States, to determine if the greater efficiency of the machines today represent any increase in price at all, or whether the increase in the price represents the efficiency. I understand there are studies going on.

Mr. THOMAS: My first experience with a tractor was with the "arm-strong" method of starting. You had to climb up on the flywheel, and while there throw yourself around it and wrestle with it in order to get the thing under way. It was quite a little trick, and it provided entertainment for us for many years.

I also worked on the business end of a crank, with the old "arm-strong" method. Sometimes you would be pretty roughly dealt with, should the crank go the wrong way, and the machine backfire.

But now we have the self-starting devices, as well as many other refinements and frills added to our farm machines. These make them much easier to handle, and they add great value to the machines.

I wonder if the federation is prepared to admit—and I judge that they are—that our machines have actually increased in value, and that the increase in cost would be justified because of the increase in value of the machine itself?

Mr. KIRK: The fact that there have been improvements in farm machinery is certainly true, and no doubt many of them, if not all of them, involve added cost in the manufacture. I am sure that is a thought which should be taken into account. However, improvements do not necessarily add to cost. Also part of the increase is certainly due to the over-all inflationary picture in the economy. That is quite a question in itself.

But we did try, on page 11, to illustrate a number of machines, which, as far as we could determine, have not changed. They have been issuing the same machines over a period of years. We tried to illustrate some of the price changes which have taken place, as closely as we could get them, with the quality factors eliminated. We simply made a selection of that kind of machine. That is the only attempt we made to arrive at that kind of thing.

Mr. MUIR (*Lisgar*): May I ask a supplementary question? I wondered if Dr. Hannam had considered the cost of setting up these administrations, and if the result would justify the cost? Because, after all, we have to credit the average farmer with enough brains and know-how to operate his own particular farm machinery. So I suggest it is doubtful whether the cost of this administration would prove anything.

If the machine is not good, the farmer is not going to buy it. And if the farmer does not buy it, then the machinery company is not going to make it. This program would cost a considerable amount when spread over the country. I wonder whether the results would be justified.

Dr. HANNAM: My opinion is that they would be well justified. Taking that statement we have from the Saskatchewan administration officer, I think there is evidence that they feel there has been quite an improvement. But let me give you a personal experience.

I bought a hay crusher last spring. It was a new machine. We did not know much about it. I went to a fellow out at the Kemptville school to try to learn which one might be the best to buy. There were about 20 of them, and they were working, but they were not competing side by side on the same job so that you might have a good chance of making comparisons.

There was nobody to talk to about it except the man who wanted to sell them. It was all right to see that they operated, but I did not learn very much. When I came home I did not know which one I wanted to buy.

Well, a couple of salesmen came out to see me, and I bought one. We used it for haying time, and it was fairly satisfactory. But as soon as haying was over, the agent came back to me and said: "We want to send your machine back to the plant." I said to him: "Why?" And he said: "There are some weaknesses in it that we did not catch, and we want to go over it." I said: "All right." He said: "It will not cost you anything." So I said: "Fine." So he took the machine away, and it has not come back yet.

My point is that here were about 20 of these machines, and I did not know anything about them at all. If I could have gone to a machinery station and said something like this: "You have tested all these machines. What is your expert opinion about this one, and about that one, the other one, and so on?" I would have had the non-biased opinion of the person who was qualified to compare these machines, and he could have given me some advice which would have been useful to me. This is one of the things.

In addition to that, there is the licensing of officers. Remember that we said that every dealer would have to be licensed. It may be that a great many of the dealers we have today are not good enough. That is, they do not now their jobs, they are not well enough qualified. It may be they are not given a good enough chance by the company.

In any case, if we have regulations and licensing, it would be possible that we could get good dealers who are well-equipped, but with not too many models; and when a company puts a new machine on the market, they would have to prove that it is good, and that the manufacturer is actually able to stand behind it and to supply parts for it.

It seems to me that this type of regulation would be extremely valuable, and that it might be very effective in improving the whole distribution program for the machinery companies.

Mr. COOPER: That is one of the things I wanted to bring up, and also the matter of testing the machine before it goes out to the farmer.

I bought a new tractor last fall for \$6200. A week ago Wednesday they came to my place and said the tractor had to have a new head, new sleeves, pistons, bearings, and crankshaft.

When they have finished with it I shall have a secondhand, re-built tractor instead of a brand new one. And remember, it worked for only one week, yet they are calling them all back in now for a complete overhaul job. These testings would not benefit us unless they put out that machine in the model in which a new tractor would be manufactured.

Dr. HANNAM: Yes, the company would do that.

Mr. COOPER: If they are tested they should be tested and approved before they come out.

Dr. HANNAM: That is our recommendation.

Mr. DANFORTH: If I may comment on Mr. Boulanger's remarks, in the most part I agree with him, but I must take exception to the part where he criticizes my remarks about the federation. I wish to point out that my remarks about the federation are the result of being present at meetings of two Canadian federations and hearing their suggestions. This one presented to us here today appears to be a much watered-down version. I should have thought that the federation's cry and request here would be the cry of the farmers. I would like to direct my question to Dr. Hannam. I know that your organization is engaged in many studies on behalf of farm organization and this machine price has been a problem of your organization for many years. I notice that you alluded, very briefly, in your brief submitted today, to co-operatives and their efforts in this behalf. If I understand it, you mentioned they could make their own submissions—and properly so. My question is this. From your observations of the co-op and your own investigations on behalf of the farmers themselves, is there any work being done or contemplated, either to encourage farmers themselves or, through the work of the federation, to take advantage of a co-operative organization to reduce the cost of farm machinery to farmers? Is there any concerted effort or method on the part of the federation in the foreseeable future to take any action in this particular field?

Dr. HANNAM: I do not say that the Canadian Federation of Agriculture is equipped at all to go into the co-operative manufacture or distribution of machinery—not directly. We are in favour of producers going into the manufacture and distribution of any machines, or any matter of supplies needed on the farm, as far as that goes. I do not suppose at the moment that we have any declaration that we want to see more farmers going into the farm

machinery business. The farmers of the United States and Canada have felt that they should go into the farm machinery business and a great many of them have done so. I do not mind saying I think many of them would say that to make a success of the manufacture and distribution of farm machinery is probably one of the most difficult things for farmers to do co-operatively. That does not mean that there is any consideration for anybody else. If you are going to manufacture machinery, you must manufacture a full line of it, you must manufacture the parts. As has been said here, the firm should guarantee parts for ten years. We must have a complete organization for distribution, with dealers, and so on, right over the country. It has to be a very extensive thing in order to be really successful. I suggest that you ask the Canadian Co-operative Implements that question.

Mr. DANFORTH: I am trying to find out if the federation feels there is a big enough field to cut the price of machinery to merit an investigation by the federation itself into this particular action. Would you care to comment on the effect it would have on the price to farmers if a farm co-operative could buy any quantity of such machines; for example, if a farm co-operative were in a position to buy from a machine company 40 tractors to distribute among its members rather than one farmer going to one dealer and purchasing one tractor.

Dr. HANNAM: The Co-operative Federation of Quebec has a complete distribution of tractors and farm machinery. The Canadian Co-operative Implements manufacture farm machines, right in Winnipeg. They have confined themselves pretty well to tillage machine, and they have a complete distribution of a tractor which they distribute on an agreement with the Cockshutt Company and they have been doing it on that basis for quite a few years. My own thought would be that there would not be much possibility for a small group of farmers, I mean 50 or a few hundred, going in to buy 25 or 50 tractors—unless they were able to set up a more permanent organization that could stock parts and service the machines. I think the farm implement business is one you cannot go into very well in a small way—and this is one of the handicaps when co-operatives want to go into business.

Mr. DANFORTH: You feel this is a specialized business to get into without a great deal of basic investigation?

Dr. HANNAM: It is a specialized field, there is no doubt about that, but it is not the kind of business you can go into in a little way and then grow up. You can just imagine the position at the co-operative end of it. They start out to make one machine and then make another and another; think of the fine time it would have competing with the more successful ones while it is growing up in that way. Yet that is the way a lot of farmer co-ops grow. I do not say it is impossible, but I think the experience in western Canada has been that they had to go into it in a pretty large way, and they have been successful in manufacturing tillage machines but they have not yet been successful in the whole run of farm implements.

Mr. DANFORTH: I can take it, then, that the federation, although it is observing it, is not doing any comprehensive study with the idea of, shall I say, promoting this or using it as an example, to the same degree that the federation is working with marketing schemes and promoting them. It is not to that degree? Would I be safe in assuming that?

Dr. HANNAM: That is right, yes. We are not putting the same enthusiasm and promotion behind the idea of farmers going in to the manufacture of their own machinery that we are all putting into the handling of their own marketing and even of processing some of their products in that field. That is true.

Mr. DANFORTH: I think we are at cross purposes. I am not dealing specifically with the manufacturing. I was thinking more of the distributing. You are speaking of curtailing dealerships and I am wondering, since the brief dealt so specifically with the curtailing of dealerships in order to increase the efficiency and lower the cost, if the federation have taken any consideration of farmers themselves, through co-ops or other organizations, by which they could have their own dealerships which would service a particular area as a means of reducing the cost of farm machinery to individual farmers. That was my point.

Dr. HANNAM: Some local and district co-operatives are in the machinery business. They have made an agreement with a large machinery company to sell. Our particular body, the Co-operative Federation of Quebec, has done that and is distributing on a provincial basis. This was certainly the objective behind the program in western Canada when they created Canadian Co-operative Implements and the three governments contributed capital to do that.

Mr. DANFORTH: I wonder if the Canadian Federation of Agriculture is aware that even in small local instances individual dealers act as wholesalers importing these machines and in turn wholesale to their own retail outlet and then sell to the farmers which, in effect, means almost a 40 per cent difference between the price of the article when shipped into Canada and when placed in the hands of the farmer. Does not the federation feel that perhaps in this field there would be room for a co-operative drive?

Dr. HANNAM: I feel that if a co-operative could go into business in a big enough way to establish an efficient distributive system, that would be so, but that means a complete system within reach of all the farmers they serve, with all the parts that are necessary and all of the service they ought to give, and covering all of the trade-ins they are prepared to take and then recondition and sell again. It is a big job.

Mr. PASCOE: My question is supplementary to that of Mr. Thomas in regard to the efficiency of farm machines, but it might be of some use for the record. I have here the 1960 report of the department of agriculture for the province of Saskatchewan. There is a chart showing the Saskatchewan farm machinery and parts purchases as a percentage of realized net farm income. In 1950 the farm machinery and repair purchases at retail prices comprised 41.6 per cent of the realized net farm income in Saskatchewan for that year. In 1955 it was 25.7 per cent, and in 1959, the last year for which figures are available, it was 25.4 per cent. Would Dr. Hannam, or one of the other C.F.A. officials care to express an opinion regarding this? Would the figures appear to indicate that the lower percentage of farm income now devoted to farm machinery purchases results from farmers making more efficient use of new machinery, or are they buying less machinery? It is down from 41.6 to 25.4 per cent.

Mr. KIRK: I do not know in any precise terms except it was between those two periods that there was a very drastic decline in the sale of farm machinery. I think this drastic decline occurred, according, not to exhaustive but our general statistical inquiries from our people, because of the poor conditions with respect to farm income. It was also due in part to an inevitable reaction to the very high level of post-war machinery purchases.

Mr. PASCOE: Would the 25.4 per cent of realized net farm income be a fair proportion of farm income spent on farm machinery?

Mr. KIRK: That question has to be analyzed. There are many factors concerned. One factor is as to what is the proper rate of technological change in the industry, how fast it should be expected to grow and how great the investment should be to keep the industry efficient. I just do not know what

kind of a proportion the total purchases should bear, or whether it would be possible to arrive at an optimum figure there. Perhaps it would be possible but I just do not know.

Mr. PASCOE: As a matter of fact, I was surprised that it was 25 per cent. I thought it should be more than that.

Dr. HANNAM: I would think 25 per cent is as high as it ought to be. That is a big proportion of the cost of farming, if you have to put 25 per cent into machines.

Mr. PASCOE: I would agree with you there.

Dr. HANNAM: Just to add to what Mr. Kirk said, I would think that the higher percentage in 1950 might be due more to the backlog of machinery that could not be purchased in the war years and then the farmers going into this in a big way for the five years after the war.

Mr. PASCOE: Probably that is the answer.

Dr. HANNAM: I think it would be.

The CHAIRMAN: Mr. Brunsden, I believe you had a question.

Mr. BRUNSDEN: Unfortunately I had to leave in order to fulfil another appointment. I do not think the question now is fitting.

Mr. HORNER (*Acadia*): I would like to ask Dr. Hannam two questions. The first deals with the idea of this testing. I believe there is a great danger in this testing. I can understand, for instance, the Nebraska test with regard to the power output of a certain motor. A test may be taken all over Canada and this motor will have a certain amount of power, although it will, of course, vary with the sea level. Soil and grass conditions, however, vary very seriously, and a cultivator might work fine on my light sandy loam but would not work very well at all on Elmer's heavy clay. This is the danger which I see in setting up testing in respect of certain types of machines.

Take, for example, a press drill. All around my constituency, if you can afford a press drill you are readily classed as a good farmer; but in some areas which grow good crops they do not use the drill at all because it would gum up with clay and be useless. Do you not agree that this is a danger in testing?

Dr. HANNAM: No. I would agree it is a problem.

Mr. HORNER (*Acadia*): The same thing would hold true in respect of haying equipment. I bought a baler once and it would not work for love nor money. Then I went to somebody else's field where there was a heavier type of hay and it just gobbled it up. The company claimed they tested the machine and it worked wonderfully. It would work on some types of grass but not on mine. I think this is one danger in testing machines. I can go along with it in respect of motors; that is fine. In grass and land implements, however, I see a great danger.

I have another question which has to do with the cost increase in respect of machinery. There is one type of machine that has not increased too much in price. I wonder why this has not when the others have. I am referring, for instance, to a handy cement mixer that the T. Eaton company sells. T. Eaton in their catalogue have a cement mixer priced at somewhere in the neighbourhood of \$50. Mr. Nasserden says this was around 1955 or 1956, but I think it was about ten years ago when I bought one and paid \$50 for it. This machine is built of iron, cast or otherwise. Why has it not increased in price the same amount as the others? I am wondering if you have ever questioned this point.

Another thing which comes to my mind is the grain grinder. It is not as popular today as the hammer mill. I remember that ten or fifteen years ago a grain grinder could be bought for about \$50 or \$75. Today it can be bought for relatively the same price. Why has this not increased to the same extent that other machines have? It is made of iron, some of it cast and some of it otherwise. Did you come across this or did you consider any of these things in presenting your brief?

Mr. SOUTHAM: I have a supplementary question. I can relate this to Mr. Horner's observations, and it is contrary to the line of thought which Mr. Thomas introduced. In respect of these increased prices, I have heard the suggestion given here that machine companies are now prone to add too many refinements to their machines which do not increase the farmer's productivity but do increase the cost. This is following one of the weaknesses of human nature; we are trying to keep up with the Joneses and follow the line of least resistance.

In large machines, like combines and tractors, these refinements do not add anything to the productivity, but they do help the machine companies to vie with one another and increase their sales. Mr. Horner pointed out the example of these cement mixers and grinders on which there have not been any refinements or improvements; they still do the same job and consequently the cost has remained much the same. Would you suggest that this be taken up in these test laboratories; that is, that they look at it and suggest that the companies do not go out of line? You could apply the same angle to the automotive industry. We have been getting larger cars with larger tail fins. The car does not take you from A to B any more quickly, and yet we are paying for it. I think this is a great factor. There is the question, are these refinements economically feasible?

Dr. HANNAM: I think there is a good deal in this. It is part of what we say. There certainly does not seem to be a need for new models every year, so many models, and so on. That is part of our particular thought here. If there were some appropriate way of approving these before they are put up for sale to the farmer it might result in a very great reduction in the number of models and the number of fancy things attached thereto. I do not know whether or not it would bring this result, but I would hope it would.

Mr. SOUTHAM: That is the opinion of most of the practical farmers to whom I have spoken.

Dr. HANNAM: I would not be a bit surprised if the machine companies would come here to tell you it is the farmer who demands this and say that if they do not put these things on their machines they will lose out and that the other fellow will get all the business. There may be something in that.

To come back to the matter of the cement mixer, I would be inclined to think that there may be a couple of reasons for that. In the first place it is possible that the margin that was taken ten or fifteen years ago was higher than it needed to be and that competition has narrowed that down. A blacksmith can make a cement mixer. I think there are so many persons who can make them that the major companies, if they are going to make them, have to make them on a large scale and meet all other competition. There may be something in that.

Mr. ROGERS: We have been speaking about restricting the models. In our tie-up with the United States there would have to be an agreement between the United States and Canada.

Dr. HANNAM: Yes. We mention in our brief that in a program of this kind there would be need for a good deal of international consultation. It is true that this is an extra problem.

Mr. CLERMONT: I believe there was a question asked as to why co-operatives do not buy in quantity. They do.

Dr. HANNAM: Yes.

Mr. CLERMONT: I believe most of our co-operatives carry a full line of farm and dairy equipment and come in competition with the private dealers.

Dr. HANNAM: Yes.

Mr. CLERMONT: It is done in Quebec on a large scale.

Mr. MONTGOMERY: Have you any idea how much this saves the farmer?

Mr. CLERMONT: The members benefit from any profit the co-operative makes at the end of the year.

Mr. NASSERDEN: I would like to know if Dr. Hannam thinks it would be fair for me to draw the conclusion that what they have recommended is that on a federal basis there be something like a board of machine standards somewhat similar to the board of grain commissioners which would have officers investigate particular complaints that farmers or others might have in respect of a certain machine or a breach of contract.

Dr. HANNAM: No; we did not recommend that.

Mr. NASSERDEN: Did you have something like that in mind?

Dr. HANNAM: Your committee might consider this. We did not recommend it. We have made a number of recommendations, but did not make that one. We did recommend an advisory committee on standardization which we said might be representative of farmers, governments, and machine companies.

Mr. NASSERDEN: Do you not think it would have to be on a federal charter plan in order that it would apply across the country and to give them control over it?

Dr. HANNAM: Yes; that would be a federal proposition.

Mr. ARGUE: Why not give them some power instead of making them advisory? We are loaded down with advisory boards now. Why not give them some power? I think Mr. Nasserden has an excellent suggestion. As I understand it, a federal board would have no authority within a province but would have in respect of interprovincial trade. That kind of authority would be sufficient to regulate the industry.

Dr. HANNAM: We have no objection if it can be worked out. Remember, to give authority to that kind of national committee would mean a pretty substantial measure of co-operation with the United States.

Mr. ARGUE: They would either co-operate or the machines would not come into the country because the machines could not be sold unless they came up to the standard, just the same as we do not allow animals unless they come up to certain standards. I think Mr. Nasserden's suggestion is an excellent one and I take it there would not be discrimination in respect of the United States.

Dr. HANNAM: We would support that if it could be worked out.

Mr. DANFORTH: Mr. Chairman, I would like to ask Dr. Hannam this question: you have had the advice of your economists and your experts and you have correlated all the information which came to you from the farmers. Since by your brief it seems that you do assume that the price of farm machinery is extremely high, where do you feel there is the greatest opportunity for either investigation or improvement? Do you feel it lies within the suggestion that models be stripped of their frills, perhaps, or that these so-called

frills be optional as parts which could be added at the discretion of the purchaser? Do you feel it would come through a standardization of models and perhaps the placing on the market of a lesser number of models to do a particular portion of farm work? Do you feel that is the field in which this committee or the industry has the greatest opportunity of making progress, or is there some other field in which you feel, through your investigation and information, that the farmers achieve a greater scope of activity?

Dr. HANNAM: That is one of our major recommendations. The other one, which is not included in that particular one, is the fact that the over-all machinery distribution today—that is the company policy plus the dealers and the way they function—appears to be a particularly costly system of distributing machinery. We think that could be revised and improved on to a great extent in respect of cost right from the factory to the farmer.

Mr. DANFORTH: By a change in established practice you feel there could be an economy?

Dr. HANNAM: Yes, plus some regulations through testing stations, and licensing of dealers; then, as you say, the cutting down of the number of models, and the standardization of many parts.

Mr. DANFORTH: For the record, would the federation agree that as far as price savings to the farmer are concerned, this could be achieved—and I am thinking more of a tractor—if it were sold on a stripped down or standard basis, and everything else put in the category of accessories which could or could not be added, depending on the desire of the purchaser. I am suggesting this rather than a complete unit, with a definite price. Do you feel there could be substantial savings in this way?

Dr. HANNAM: Well, maybe, but you must remember than even if you regulate for a machine, stripped, and you regulate it with all of the companies,—and I do not know whether it could be done or not, but let us assume that it could be done—and then you add a lot of other features which could be paid for as extras, the very fact they have to be made and have to be made available—and the parts have to be available, and so forth—would, I think, add to these costs, because if two companies do it, the others have to do it, and if some farmers buy them with these innovations, others will demand them.

Mr. DANFORTH: My point was that we sometimes find ourselves in the ridiculous position of having to buy a tractor equipped with a hydraulic system, which adds to the cost, and it is of absolutely no value in our particular work, but yet we have to pay an additional cost to get a stripped down model. To me it seems a ridiculous position in which to be put.

Mr. NASSERDEN: Mr. Chairman, that is not the case in western Canada. You can buy a stripped down model without these accessories. If you want the hydraulic system, the power take-off and belt pulley, cigarette lighter and all these other things, you can have them, and you pay for what you get. They may charge you something additional for putting these things on if the model they have is not equipped with them. However, they will take them off after having them on, if they do not have one without these accessories. I know, because I have had it done.

Mr. BRUNSDEN: Mr. Chairman, that brings up the question of whether or not you can control the farmer's desire to keep up with the Joneses. There is far too much incentive, from advertising and high-pressure salesmanship, encouraging a farmer to turn in his last year's model tractor and buy a new one. I am not saying the farmer is any worse than anyone else, because he is not. The same thing happens in the city with respect to cars, refrigerators

and television sets. But if, somehow, we could impress upon the farmer—and, in this connection the Canadian Federation of Agriculture is in an admirable position—that they are working against their own economic interests by being the victims of high-powered advertising, we would go a long way towards correcting this situation.

Mr. HENDERSON: I think the farmer himself is, to a large extent, to blame.

Mr. ARGUE: I disagree with you. It is high-pressure advertising, and so on.

The CHAIRMAN: Gentlemen, the Chair is of the opinion that we have reached the point where we should consider adjourning. However, before we do that, Mr. Kirk has a statement which he would like to make.

Mr. KIRK: I have just one thought. It is more or less a personal one and does not appear in the brief. It is in connection with the question of stimulating the development of the Canadian farm machinery industry, and I think it might be of some importance.

It seems to me that one of the very best ways for an industry to be stimulated is for that industry to be making something that is special to it, and which has a place in the international market. You will find this in connection with certain types of engines made in England, and this is the place where they are bought.

The Rolls-Royce engine which one sees through the plane window every time one goes on a trip is an example of where a country has specialized successfully. The point I am making is this: I do not know how much research Canadian farm machinery companies do, and even if they do some research, we have no assurance that if they do make some real breakthrough in design it will be manufactured, in fact, in Canada. But if Canada, as a nation, through quite fundamental technological research development—and I am not an engineer—could develop designs for engines or any other part of the farm machinery business, which really were breakthroughs and improvements, and could control these important technological advances so that Canada would become the center of their manufacture, it would be very beneficial. It has always seemed to me, not only in connection with machinery, but in other fields as well, that this would be a good way of stimulating the Canadian economy for both domestic and international markets.

Mr. BRUNSDEN: There is a good example of that in the last issue of the *Western Producer*. There was a display in Saskatoon of a German-made tractor. I may say that I have nothing against West Germany—I hope she prospers—but, to me, it is fantastic that a prairie farmer would be attracted to something new—and I might say it is a new tractor—and turn his back on a product produced in Canada through Canadian workmanship. I know that trade is trade, but I come back to the point I tried to make a short while ago, that we need to build up in the minds and hearts of our Canadian farmers a consciousness of their own position in relation to the rest of the Canadian economy. If we do that, we will not have this terrific turnover of tractors every year, and we will not have this attraction for tractors built outside of Canada. After all, Canadian built tractors, or partially Canadian built ones, are just as good as any tractors in the world. We had an experience in our province a few years ago. A number of diesels were brought out from England several years ago, and I think there are still six or seven of them on the sales lot. They were a flop under our working conditions. The people who bought them were stuck. I suggest that there is a great job of promotion to be done, and I think the Canadian Federation of Agriculture should take the leadership in educating the farmer with respect to his own position in the great Canadian economy. He prejudices his own position when he allows himself to become a victim of certain high-blown publicity efforts.

The CHAIRMAN: Dr. Hannam, I know the committee would wish me to express their appreciation to you, Dr. Hopper, Mr. Kirk, and through you, to all the members of the Canadian Federation of Agriculture for being with us today and presenting this very fine brief.

Gentlemen, our next committee meeting will be one week from today, namely, Friday, April 21, at 9.30 a.m. Our witnesses will be from the National Farmers Union Council.

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HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

Respecting
PRICES OF FARM MACHINERY

FRIDAY, APRIL 21, 1961

WITNESSES:

From the *National Farmers Union*: Mr. S. A. Thiesson, Secretary; Mr. Rudy Usick and Mr. Mel Tebbutt, Executive members.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.

and Messrs.

Argue	Hales	Peters
Badanai	Hardie	Phillips
Belzile	Henderson	Racine
Boulanger	Hicks	Rapp
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Regnier
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Ricard
Clancy	Howe	Rogers
Clermont	Kindt	Rompere
Cooper	Knowles	Slogan
Danforth	Korchinski	Smith (<i>Lincoln</i>)
Doucett	Latour	Southam
Drouin	Leduc	Stefanson
Dubois	McIntosh	Tardif
Dupuis	Michaud	Thomas
Fane	Milligan	Thompson
Forbes	Montgomery	Tucker
Forge	Muir (<i>Lisgar</i>)	Villeneuve
Godin	Nasserden	Webb—60.
Gundlock	Noble	
	Pascoe	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

ORDER OF REFERENCE

THURSDAY, April 20, 1961

Ordered,—That the name of Mr. Horner (*Jasper-Edson*) be substituted for that of Mr. Brunsden on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

FRIDAY, April 21, 1961

(6)

The Standing Committee on Agriculture and Colonization met at 9.35 a.m. this day. Mr. McBain, the Chairman, presided.

Members present: Messrs. Argue, Badanai, Boulanger, Clancy, Clermont, Cooper, Doucett, Dubois, Fane, Forbes, Forgie, Gundlock, Henderson, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Knowles, McBain, McIntosh, Milligan, Montgomery, Muir (*Lisgar*), Noble, Pascoe, Rapp, Regnier, Slogan, Southam, Tardif, Thomas, Tucker, Villeneuve and Webb.—(33)

In attendance: From the National Farmers Union: Mr. Stuart A. Thiesson, Secretary; Mr. Rudy Usick and Mr. Mel Tebbutt, executive members.

Mr. Thiesson presented the brief of the National Farmers Union regarding farm machinery prices.

The Committee questioned Messrs. Thiesson, Usick and Tebbutt on the Union's brief.

Moved by Mr. Horner (*Acadia*), seconded by Mr. Fane,

*Agreed,—*That Index Numbers of Farm Prices of Agricultural Products, put out by the Dominion Bureau of Statistics be made an appendix of today's Minutes of Proceedings and Evidence (*See Appendix "A"*).

The Chairman announced that he would be unable to attend the afternoon meeting.

On the motion of Mr. Argue, seconded by Mr. Montgomery,

*Agreed,—*That Mr. R. Elmer Forbes be the Acting Chairman for the afternoon meeting.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING

(7)

The Committee reconvened at 2.35 p.m. The Acting Chairman, Mr. R. Elmer Forbes, presided.

Members present: Messrs. Argue, Badanai, Belzile, Boulanger, Clancy, Clermont, Doucett, Fane, Forbes, Forgie, Gundlock, Henderson, Hicks, Horner (*Acadia*), Horner (*Jasper-Edson*), Kindt, Korchinski, McIntosh, Montgomery, Muir (*Lisgar*), Pascoe, Rapp, Regnier, Slogan, Southam, Tardif, Tucker, Villeneuve, Webb.—(28).

In attendance: Same as morning sitting.

The Committee continued the questioning of the witnesses.

Agreed,—That farm machinery questionnaire sent to their members by the National Farmers Union be printed as an appendix to today's Minutes of Proceedings and Evidence (*See Appendix "B"*).

The Acting Chairman thanked the officers of the National Farmers Union for their appearance.

At 4.35 p.m. the Committee adjourned until Monday, May 1, at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

FRIDAY, April 21, 1961

The CHAIRMAN: Gentlemen, I see a quorum. This morning we have with us the National Farmers Union presenting their brief to the standing committee on agriculture and colonization, inquiring into the price of farm machinery.

Representing the national farmers union we have with us Mr. Stuart A. Thiesson, secretary of the national farmers union, and secretary of the Saskatchewan farmers union.

Sitting next to him we have Mr. Rudy Usick, executive member of the national farmers union, and president of the Manitoba farmers union. And finally, around at the corner of the table, we have Mr. Mel. Tebbutt, executive member of the national farmers union, and president of the Ontario farmers union.

I believe Mr. Thiesson is to present the brief, so I am pleased to call upon him at this time.

Mr. STUART A. THIESSON (*Secretary of the National Farmers Union and Secretary of the Saskatchewan Farmers Union*): Thank you, Mr. Chairman, and members of the committee. For the information of those of you who may not be aware of it, the national farmers union is a change in name from the interprovincial farm union council, and it includes in its membership the members of the farm unions in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario.

Mr. HORNER (*Acadia*): Mr. Chairman, before Mr. Thiesson proceeds, I wonder if we are going to follow the thought expressed at an earlier meeting. I could look up the reference, if you wish; the thought was that the briefs would be presented beforehand, that we would not have to have them read in all their details, but could immediately start in to ask questions on them. It does not matter to me one way or another, but I wondered about it. This brief was presented to us quite a while ago, and I think most of the members have read it. It does not matter at all to me, but I wondered if we were going to follow out the thought that was evident at an earlier meeting.

Mr. CLANCY: I would like to go along with that. But on the other hand, even if most of our members have read the brief, I think the witness should be asked to give his presentation.

Mr. HORNER (*Acadia*): If he is going to make a statement on it, all very well; but this is quite a detailed brief, quite a long one, and it has 83 points in it. I know we plan to sit this afternoon, and I know that we shall get over it in any event.

Mr. ARGUE: Mr. Chairman, Dr. Hannam went over his brief, and when he came to detailed items, he skipped over them.

The CHAIRMAN: We gave the Canadian Federation of Agriculture an opportunity to read their brief. So I think in all fairness to the farm unions this morning we should give them the same opportunity.

Mr. McINTOSH: Mr. Chairman, what Mr. Horner has said is quite correct. That was the idea in getting the briefs ahead of time. It was not to put them into the record at that time, but that we should start in clause by clause without their having to be read all over again. We assume that everyone

has read over the brief, because it has been in our hands long enough already. So rather than to have it read over again, I think we should start in with the questioning.

Mr. PASCOE: Mr. Chairman, I think the witness should be allowed to make some statement.

The CHAIRMAN: If it is agreeable to the committee we shall ask Mr. Thiesson to review his brief. He may want to deal specifically with some clause and read it word for word. Would that be agreeable?

Mr. THIESSON: I am in the hands of the committee.

The CHAIRMAN: Well then, if it is agreeable to the committee we shall ask Mr. Thiesson to proceed on that basis.

Mr. THOMAS: Mr. Chairman, might I ask if that is satisfactory to the farmers union? Do they feel that that method of presentation would be as effective as if they should read through the brief first? They are here, and I think we should allow them to present their brief in their own way.

Mr. THIESSON: In reply to that, Mr. Chairman, I might say that we have gone to some considerable work in the preparation of this brief. I do not know how valuable the members of the committee will find the information, or how closely it will correspond to their points of view.

If the members of the committee have read the brief, I would certainly be prepared to proceed with it on the basis of a summary, and then go into the discussion. However, if there are members of the committee who have not found time to read the brief, I would hope that they would find it valuable to go through it and to know what the contents of the brief are. I could possibly cover most of the points on the basis of a summary and I am quite prepared to proceed in whichever way the chairman directs.

Mr. FORBES: It seems to me that if Mr. Thiesson read the brief it would be more inclined to prompt questions; in other words, refresh our memory on the brief as it was being read, and the committee would be more alive and take a more active part than if they just looked it over themselves. I read it last week and have pretty well forgotten the contents. I do not believe it would take too long to read it; I think twenty minutes would do it.

Mr. HENDERSON: I think the brief should be read.

The CHAIRMAN: The majority opinion of the committee seems to be that the brief should be read. I will ask you, Mr. Thiesson, to proceed in that manner.

Mr. THIESSON:

1. The national farmers union welcomes this opportunity of presenting the views of the organized farm movement in Canada on the question under consideration by your committee.

2. Our members, engaged in the primary industry of agricultural production, are vitally affected by all cost factors entering into the production costs of farm products. The cost of procuring and operating farm machinery represents a major part of farm production costs.

Impact of Technology in Agriculture

3. The technological role of farm machinery in Canadian agriculture over the past twenty years has had a tremendous effect in increasing the output of agricultural products. Besides meeting the domestic food needs of the growing population, Canadian farmers are providing commodities for export trade. But the effect of higher production has not been reflected in more favorable price returns to the producer and as a result the over-all financial position of the average farmer has been in a state of decline.

4. The royal commission on price spreads of food products indicated that between the years 1949 and 1958 the costs of marketing food between the farmer and the consumer rose 84 per cent although the average Canadian earning income from non-farm employment was able to spend a smaller proportion of his weekly pay cheque on food than he had in previous years. The studies of the commission further revealed that the farmer's share of the consumer dollar had declined from 58 per cent in 1951 to 44 per cent in 1958.

5. The general trend of agricultural prices has been downward since 1951, while upward trends in non-agricultural prices, consumer incomes and business investments, increase the costs of goods and services required by farmers.

6. As a result of the decline in farm net income, Canadian agriculture is in a state of depression. Thus, while a 20 per cent decline has taken place in the index of farm prices between the years 1951 and 1960, a 16 per cent increase has taken place in the composite index of farm production costs.

7. Farm machinery costs have more than doubled since 1940 while operating and depreciation expenses have more than tripled.

8. The technological revolution in agriculture has also had its effect on the human resources engaged in agriculture for a livelihood. From 1941 to 1956, farm population decreased from 27 per cent of the total population of Canada to approximately 17 per cent of the total. During these same years the farming areas remained practically unchanged, although their number declined from 732,832 to 575,015; but the average size of farm unit increased from 236.8 acres to 302.5 acres. As a result, there are only about 60 per cent as many workers in agriculture today as there were a decade ago, while during the same period the number of farm operators has declined by 30 per cent.

9. The continuing trend towards larger farms and the use of labour-saving machines has meant a high capitalization per farm. Compared with 20 years ago, the amount of land under cultivation per farm worker has increased 67 per cent. The livestock population per farm worker has increased 93 per cent, and the volume of power and machinery 213 per cent. Thus, the total of these three forms of capital per farm worker is now almost twice as high as it was 20 years ago.

10. The increase in productivity per man in recent years has been greater in agriculture than in any other Canadian industry, having risen 48 per cent from 1946 to 1957. In manufacturing, the increase was about 40 per cent—in transportation about 34 per cent—in mining about 31 per cent—and in trade only about 7 per cent.

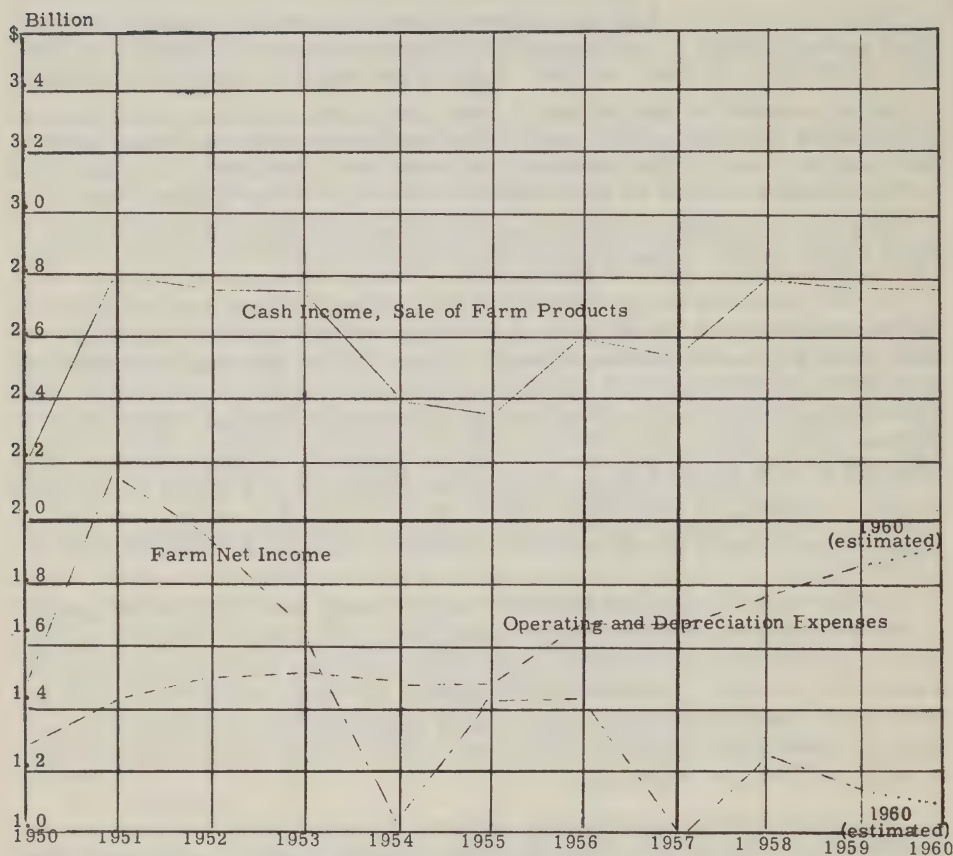
Relation of Income to Costs

11. It is a significant fact that while the cash income realized from the sale of farm products during the period 1958 to 1960 was at a comparable level to the record high of the 1951 to 1953 period, farm net income during the 1958-60 period has shown a decline of a figure approaching 50 per cent of the 1951-53 level.

12. Operating and depreciation expenses, on the other hand, over the period 1950-59, has shown a continual and increasing rise. These comparisons are illustrated in chart I.

Chart I

Relation of Farm Net Income to Cash Income and Expenses
of Operating and Depreciation—Canada
1950-1960



Source: DBS - Farm Net Income, Farm Cash Income.

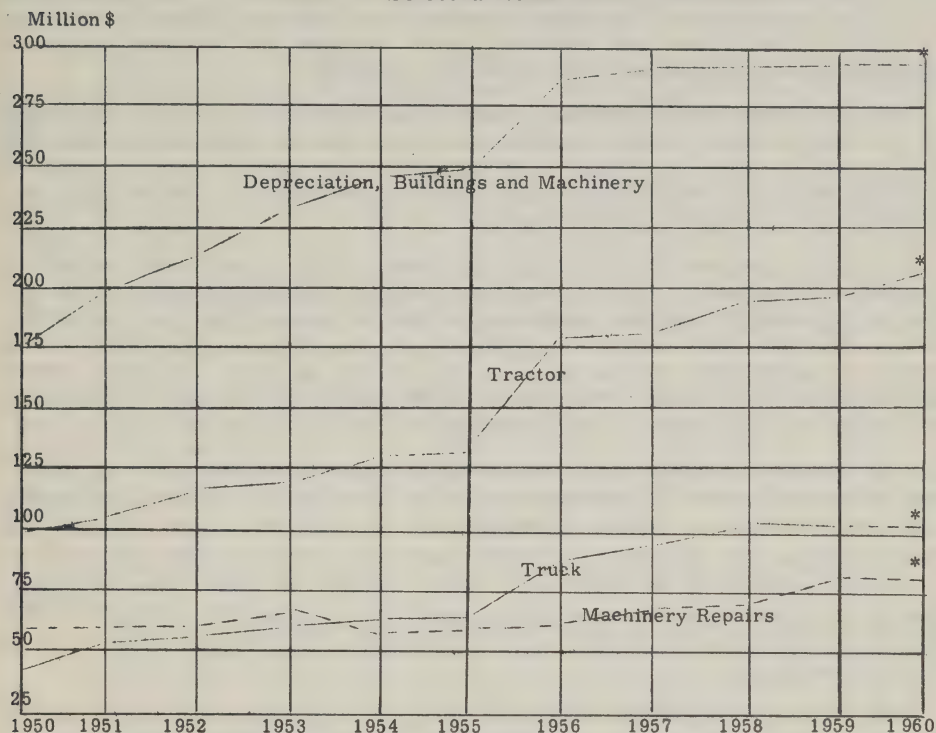
13. A more specific examination of the actual items relating to farm machinery costs to the farmer during the 1950-1959 period is indicated by chart II. Farm operating expenses, including items of depreciation on buildings and machinery, tractor costs, truck costs and machinery repair costs, have shown a steady increase.

14. It is our contention that because of the wide cost-price disparity prevalent in agriculture, farm operators in Canada are now, in fact, living off the depreciation allowances granted for buildings and equipment, the full impact of which will not be fully realized until the need for replacement takes place.

Chart II

CANADA—FARM OPERATING EXPENSES AND DEPRECIATION CHARGES

Selected Items



Source - DBS Farm Net Income

* 1960 - Estimated

Input Vs. Output

15. In considering the role of advancing technology in the agricultural industry, we believe it is a logical assumption that increased inputs into agriculture can only be compensated by higher outputs. If the initial advantages of higher outputs are then offset by declining and unstable prices within the industry as a result of wide-spread acceptance of new technology, the net effect to the average-sized farmer may be a lower net income return.

16. Because of the tremendous impact of mechanization to agricultural production and its resulting effect on farm prices, it is our view that thought must also be given to developments in the farm price field and the impact this has had on the purchasing power of the Canadian farmer and its effect on the economy of the nation as a whole.

17. The royal commission on Canada's economic prospects observed that over the past twenty-five years the physical volume of agricultural output in Canada grew by some 30 per cent to 40 per cent. It anticipates that over the next twenty-five years agricultural output may grow by perhaps 65 per cent or 70 per cent which will enable Canadian agriculture to produce a much larger quantity of foodstuffs on little more than the acreage currently in use, while the increasing productivity of farm labour will permit output to rise with a declining labour force.

18. What will be the purpose of it all if the ever-increasing agricultural output results in a lower price for the unit of farm production while farm cost items continue to increase unabated?

19. In an enlightening analysis of farm price behavior, Professor Willard Cochrane, university of Minnesota, raises the question: "Why, in the face of falling farm prices and declining gross incomes, do farmers persist in adopting new technologies, thus expanding output?"

20. Cochrane then proceeds to analyze this seemingly irrational behaviour on the part of farm people. He observes that it has its beginning in the fact that society places a high value on technological development and its adoption, and the fact that technological advance in agriculture is always measured in terms of total agricultural industry.

21. Thus, we see the effects on the industry of a particular technology or production practice after it has been widely adopted throughout the industry. He notes that farmers operate in a type of market where no one farmer can or does have any perceptible influence on the price of his product or his factors of production. The farmer is a price-taker. He takes the price offered him because he is such a small part of the total market that he can have no perceptible influence on the market or on the market price.

22. Cochrane believes that technological advance has the effect of lowering the per-unit costs of production only for its initial users who may realize increased net returns, because they are such a small part of the market that total output is not increased noticeably and price does not come down. Then a powerful incentive is created for other farmers to adopt the technique. Seeing the income advantage accruing to Mr. Early Bird, Mr. average farmer decides he will adopt this cost-reducing technique. This includes most farmers in the community.

23. But the widespread adoption of this new technology changes the entire situation. Total output is now increased, and this increase in the supply of the commodity lowers the price of that commodity. With an inelastic price demand at the farm level, gross returns to producers must fall. Further, over a period of time, any increases in net returns are capitalized back into the value of the land, with the result that land prices rise. So in the long run, by the time most farmers have adopted the technology, the income benefits that the first farmers realized have vanished.

24. Mr. average farmer is right back where he started as far as his income position is concerned. Once again, average unit costs of production are equal to the price, and no economic surplus remains. As the price of his product is declining, but his unit costs of production are unchanged, to stay even with the world he is forced to adopt the new technology. The average farmer, Cochrane concludes, is on a treadmill with respect to technological advance.

25. Farm machinery companies are among the foremost in the advancement of technological improvements in agriculture. The ultimate price of this advancement has been placed squarely on the shoulders of farmers as a group, who must pay the cost, not only in terms of the higher input the technological advance may represent, but in contributing to increased output, the reaction on price may result in a final lower net return, forcing some out of agriculture altogether and others into subsistence.

Administered Prices vs. Market Prices

26. In emphasizing the broader approach to the consideration of the effect of farm implement prices in relation to the declining purchasing power of the farmer, we do not overlook the disproportionate rise in the cost of farm machinery in compounding the "cost-price squeeze" to the farmer.

27. The rising price of farm machinery has, on the one hand, come as a result of the application of an administered price by the industry, and on the other hand as a result of a market price as applied to the sale of farm products. The farmer reaps the disadvantage of both systems.

28. Chairman Estes Kefauver of the sub-committee on anti-trust and monopoly of the United States Senate stated on the subject of administered prices—and as this is a short note I shall probably read it because it is relevant—

With the passage of time, administered prices have become more and more important in our economy. This has been partly due to the changing composition of the country from a predominantly agricultural to a predominantly industrial economy.

29. Dr. Gardiner C. Means, an economist for the United States government committee for economic development and originator of the term "administered prices" defined it in the following manner—and I shall not read that. It is just a definition he gave of being in a position where you can add increased cost to your final prices, and which he illustrated as compared to market prices, as in the case of agricultural costs.

[*Editor's Note: The portion of the brief not read by Mr. Thiesson is as follows:*]

On my definition an administered price is a price set by someone, usually a producer or seller, and kept constant for a period of time for a series of transactions. The opposite of an administered price is a market price—a price that fluctuates on the basis of supply and demand as these forces are felt in the market.

The prices of wheat or cotton in the central market are market and not administered prices. They constantly adjust to equate to supply and demand. It is a coincidence if a series of transactions take place at identical prices.

30. Dr. Means further stated that while administered prices have become an essential part of our modern economy, we do not know enough about how they actually operate to be able to make good national policy in such economic fields as inflation, full employment and enforcement of competition.

31. It is our view that in respect to competition among farm implement companies, this is in actual fact no more than competition for sales rather than competition in price, and that as a result of high pressured promotional programs designed to draw the attention of the prospective user of farm implements, the costs to farm implement companies for advertising and design changes have been growing at a phenomenal rate and administered prices are a mechanism whereby these increased costs have been passed on to the farmer.

MR. THIESSON: I think at this point it would be fair to add that administrative prices are also a mechanism whereby the manufacturer of farm machinery or automobiles, or the manufacturer of other products, can gauge his prices on the basis of profit return to the industry and, although this is not specifically mentioned here, I think it is generally accepted.

MR. MCINTOSH: Who has accepted that explanation which you have just given?

Mr. THIESSON: On administered prices?

Mr. McINTOSH: Yes.

Mr. THIESSON: Well, this point of view on administered prices was discussed in considerable detail at the anti-trust hearings in the United States inquiring into the prices of automobiles. The formula revealed by the General Motors Corporation in setting its factory prices for automobiles was based on a certain minimum volume of production, a certain minimum number of days of operation of its plants, and that sort of thing. The corporation based its prices on that type of formula and it was tied in with administered price proposals. To continue with the brief:

32. While a farm implement company is able to pass on higher costs, the farmer has no such opportunity to pass higher costs on to the consumer in terms of his increased cost of production. He cannot raise his prices, for these prices are market-determined. The farmer must therefore shoulder the increased costs by attempting to increase output which may again have the effect of lowering the price of his ultimate product, or he may be forced to accept a lower standard of living.

Farm Opinion on Machinery Costs and Service

33. In a survey conducted among its members by the Saskatchewan farmers union and the farmers union of British Columbia, high prices of farm machinery was given as the most frequent answer to the question as to the problem which most affected the farmer in the operation of farm machinery.

34. Poor availability of repair parts was given as the second greatest difficulty, with poor local service following. Other observations given with respect to farm implement problems contained observations such as: (i) Companies change their models so often it is impossible to give service or carry parts; (ii) Repairs are too expensive and often a farmer is required to buy a complete assembly unit in order to obtain only a small part which he may require; (iii) Need for greater standardization of parts such as V-belts, sprockets and shafts, bearings and wheels, sickle knives, canvasses and reels.

35. Numerous experiences were given where lengthy delays had taken place in the obtaining of farm machinery repair parts, often on relatively new machines. In some cases the delay had necessitated the farmer hiring someone else to complete a particular operation which his machine was intended to do. It was observed that lengthy delays sometimes resulted not only from the fact that parts were unobtainable anywhere within the province, but oftentimes they were not even available from the factory.

36. The hours of service observed by many service and parts depots during the peak farming season sometimes results in serious loss of time and money to farmers. Service to farmers could be improved by providing six-day-per-week service from commencement of seeding to completion of harvesting operations.

37. We are certain the replies received by the S.F.U. and F.U.B.C. from its membership will correspond to the experiences and knowledge of those members of this committee who are also practising farmers.

38. While some provincial governments have provided legislation requiring machine companies to stock repair parts on lines of farm machinery sometimes as old as ten years; this has not, in fact, proven to be an entirely effective method of providing farmers with the type of service required.

With an increasing frequency of model changes, the rate of obsolescence has increased, making it much more difficult for local dealers to provide proper repair service because of the need for higher inventories. As a result many local dealers are losing their agencies and farmers must go greater distances for machinery service. The main branch offices of the industry itself often do not maintain adequate stocks.

39. We note with interest an observation made by the Saskatchewan agricultural machinery administration in its second annual report, when it stated as follows:

The manufacturers continue to produce an ever-wider range of models and sizes of equipment to suit the farmers' needs. While this has its desirable aspects, it is also evident that this creates definite problems from a repair supply point of view. The rapid change of models speeds up the rate of obsolescence, and this, coupled with increasing range of models and also the increased complexity of machines offered for sale, necessitates an increase in repair inventories at distributor and local level. The repair situation has made it imperative that some of the larger manufacturers re-assess their repair distribution in stock and practices and apply modern electronic equipment to central inventory control. This transition has resulted in some temporary problems but augurs well for improved service in the near future.

Investment Factors in Farm Machinery

40. In a paper entitled, "Cost of Farm Machinery"*, James Vermeer and Donald T. Black state that the largest single item of expenditure on many farms in the United States is the cost of owning and operating farm machinery. Because of the similarity of farm machinery prices in the United States and Canada we believe the observations they make with respect to a survey of U.S. farms can be closely applied to the Canadian scene.

41. It was found that while the range in value of farm machinery as between individual farmers was quite broad, it averaged about \$6,600 at current value. They estimated that the original purchase price probably was about twice as great, and that in terms of 1960 prices it would require an investment of \$15,000 to \$17,000 to replace the equipment on the particular farms reviewed in their study.

42. While they conceded that many of the improvements in machines perform more effectively the job for which the machines were designed or reduce the heavy physical labour required of farm workers, costs of owning and frequently costs of operating the machinery have consistently risen. At the same time, improved machines have contributed to greater output, and machinery costs per unit of product have risen less than the total machinery costs.

43. While a machine of larger capacity may enable a family farm to reduce expenditures on hired labour, Charles Schwartz† notes:

With nearly all the farm labour now being supplied by the farm operator and his family this means that in a period of declining demand for farm products, the farm operator cannot save on his out-of-pocket or casual expenses by cutting down on the amount of hired labour.

* United States Department of Agriculture Year Book 1960, "Power to Produce".

† The Search for Stability—McClelland Stewart Ltd., 1959.

44. In comparing rates of depreciation and obsolescence, Vermeer and Black note that depreciation is classified usually as a fixed cost, and as long as the rate of obsolescence exceeds the rate at which the machine wears out this is a proper classification. However, if a machine is used so much that it is worn out before it becomes obsolete, depreciation becomes a variable cost.

45. It is our contention that under modern conditions, farm machinery companies now offer machines of a rated capacity that more frequently exceeds full justifiable use on the average-sized farm. Thus, if a machine is used less in each year than its practical rate of depreciation it will become obsolete before it is worn out and the original cost will be charged off in any event when the machine is replaced.

46. Vermeer and Black add that associated with the greater capacity of machines has been the demand for more land to increase the size of farms so as to provide more work per machine. Greater demand for land has, in turn, led to higher prices for land. This is an indirect cost of owning larger machines.

47. In this way, farm machinery companies have been contributing directly towards the cost-price squeeze of the average farmer by marketing farm implements of which the rate of obsolescence exceeds the rate of depreciation, thereby increasing his unit cost of output. Further, in circumstances of poor availability of parts, the obsolescence factor forces farmers to purchase new machines before the condition of the old machines may fully justify this act.

48. Thus, while it is a popularly accepted concept that the farmer must continually adjust his operations to fulfill the efficient working capacity of his machinery, it is a philosophy which our organization rejects, because this concept disregards human values and applies economic determinism as the prime yardstick in agriculture.

49. Advertising and promotion engaged in by farm machinery companies emphasize the power and capacity of machines, thereby creating an image of the need for bigness and expansion in farm size. Farm people are oversold in believing they need larger capacity machines than may be really economically sound. Thus pressure is increased to enlarge the size of farms to match the appetite of machines, not to discount the added luxury connotations and benefits derived from two-tone paint jobs and streamlining of models. Less and less attempt is being made to meet the functional farm machinery requirements of the smaller size farmer.

50. Vermeer and Black note that one way to reduce cost of machinery is to develop cheaper machines that will perform the same volume of work as the machines now in use. They comment that perhaps too little emphasis has been given to this aspect of machine design in order to reduce fixed costs or the costs of owning them. The new models would need to be sold for less money than their predecessors.

51. A further method suggested is the design and use of multi-purpose machines serving to hold down the fixed costs of machinery for the farm. Tillage and harvesting machines are cited as examples.

Role of Co-operation

52. In the area of reducing the costs of operating farm equipment the co-operative ownership of farm machinery can undoubtedly play a useful role.

53. Because harvesting machines require relatively large investments and are used only a few days a year, they are the ones most frequently owned

co-operatively. However, for co-operative ownership to be successful, stability of tenure of operators is highly desirable and the timing of the use of machines on the co-operating farms also requires planning, not only in exchange of work but in planning the seeding of various types of crops and rates of maturity.

54. Co-operative farming, requiring a pooling of all capital and human resources, represents a further effective means of lowering the cost of farm machinery and unit cost of production. However, in this type of operation because of the high degree of human element involved a special type of philosophy is demanded in order to assure compatibility in arriving at administrative and managerial decisions.

55. The co-operative selling of farm machinery is also an effective means of lowering the unit costs of farm machinery to individual producers. The Cockshutt Farm Equipment Company has, since 1945, turned out a portion of its production to the Canadian Co-operative Implements Limited which, in turn, has sold it to farmers through their own outlets under the Co-op brand name. In addition, C.C.I.L. have themselves, to a limited extent, gone into implement production.

56. W. G. Phillips*, in a paper delivered to the Canadian agricultural economics society annual meeting held in Winnipeg in August, 1958, stated:

Despite the importance of co-operative selling in some areas, it appears still to be insignificantly small in the total market. There is no doubt that co-operative selling of farm machinery can mean real economies. Just as real, however, are the difficulties which have restricted its volume in the past and may continue to do so in the future. These difficulties reflect the peculiarities of the market itself. There are, for example, the problems of credit, servicing and trade-ins that may or may not be true, as many in the implement industry ruefully suggest that that industry has for so long babied the farmer in these respects that he now expects greater patronization from implement sellers than from any others. It does seem true that farmers do not buy machinery as they buy other commodities. They have become accustomed to having their machinery sold to them. Thus many sales methods and practices which are clearly dispensable in the selling of most goods have come to be considered essential in the sale of farm machinery until the usual economies of co-operative sale are extremely difficult to obtain. It would seem, therefore, that a long-standing mode of thought among farmers must be changed before large-scale success can come within reach of the implement selling co-operatives.

57. We believe Phillips' observations with respect to co-operative sales of farm machinery need no further comment other than to point out that in the three prairies provinces, in which C.C.I.L. is established, total sales in 1959 were \$4,277,143 out of a total farm implement and parts sales potential for the year of \$170,255,210 or about 2.7% of the total market.

58. A somewhat different approach has been taken by the Co-opérative Fédérée of Quebec in the distribution of farm machinery. Unlike C.C.I.L. on the prairies, the Co-opérative Fédérée has established itself as the exclusive distributor for the Oliver line of farm equipment in the province of Quebec. Thus, it is not required to compete against Oliver agents who would handle the same line of machinery as the co-operative, as is the case with C.C.I.L. in its competition against Cockshutt. Neither has it considered it economical to enter into the manufacturing field, primarily due to the fact of the smaller

* Assumption University of Windsor.

volume potential of farm implement sales within that province. Where C.C.I.L. has proceeded on a philosophy of providing the greatest return in savings to the purchasers of farm machinery, Co-opérative Fédérée has established its farm implement program predicated on first providing its members with the best possible service obtainable. Thus it has advanced on the promotion of a vigorous sales and training program for managers and service men. While its patronage dividends to members have not been as spectacular as those paid by C.C.I.L. in its best years of operation, Co-opérative Fédérée has rendered a valuable service to its members by providing them with reasonable service and parts facilities. The result of this approach is that during its ten years of operation in the farm distribution field in Quebec, it has captured 20% of the total farm equipment sales out of a potential market averaging \$30 million per year.

Rental of Farm Machinery

59. A more recent innovation in the farm implement business has been the leasing of equipment to farmers undertaken by some farm machinery dealers. Renting machinery instead of owning it may, in certain circumstances, enable farmers to avoid investment in expensive equipment. If a job can be completed within the time limit of the rental agreement the farmer has the same control over the time and the way the job will be done as he would have if he owned the equipment. However, under unfavorable conditions or adverse weather, the lease may expire before the job is done. If the lease cannot be renewed, the loss of crop or failure to get the job done on time may be greater than all the costs of ownership. Also, because of unfavourable weather the farmer might have to pay rent on a machine without being able to use it.

60. Phillips reports that the leading manufacturers are generally opposed to the rental idea mainly on ideological grounds, although all have made provision for adopting their agreements currently used in renting industrial machinery to farm equipment and stand ready to do so if competitive conditions make it necessary. But, he states, each of the leading companies claims it will not be the first one to make such a move.

Testing of Farm Implements

61. Farmers are often confronted with problems that result from the purchase of farm machinery that may not be the best suited to a particular farming condition, or may have basic faults in its initial construction.

62. Towards the end of protecting the primary producer in the purchase of farm equipment, the government of Saskatchewan has established the agricultural machinery administration which has the responsibility of implementing the provisions of the Agricultural Machinery Act. Basically the administration is organized into two groups—an active administration group and a machinery testing group. The work of the two groups is directed towards the fundamental problems of farm machinery purchase and use and towards these ends specific objectives have been set out as follows:

- (1) To improve the availability of repairs and service to Saskatchewan purchasers of farm implements.
- (2) To ensure that at least one major source of repair parts is available in Saskatchewan for each line of implements sold.
- (3) To publicize certain portions of the Agricultural Machinery Act in order that purchasers of machines will be familiar with the remedies which are available to them.
- (4) To provide an investigational service into complaints arising out of the sale and operation of farm implements.

- (5) To test and publish reports on machines being sold in Saskatchewan.
- (6) To enter into arrangements with manufacturers for the testing of prototype machines where it is apparent that the machines in question are likely to be offered for sale in the Saskatchewan market.

63. While the results of the work being undertaken by A.M.A. have not been instantaneous in achieving its objectives, its services are beginning to show promise of value in rendering an important service to farm people by providing them with basic information on various lines of farm equipment and guiding them in the proper choice of machinery for their own farming operations.

The Role of Credit

64. The role of farm credit in farm mechanization cannot be overlooked. The Farm Improvement Loans Act of 1945 has made an important contribution in assisting farm people to improve the efficiency of farm operations. In the period 1945-1958 more than 620,000 loans representing 85% of total loans and more than \$710 million were made to farmers for the purchase of farm implements. It has played a vital role in the orderly transition to mechanized farming.

65. Within recent years, credit restrictions have been placed by banks on the extension of farm improvement loans, reputedly because of rising interest rates that have made the 5% rates under the F.I.L.A. less profitable.

66. As a result, farm implement companies have entered into the field of financing farm implement sales at much higher interest rates than prevail under the F.I.L.A. Rates approaching 10% are not uncommon. One contract that has come to our attention will cost the farmer 24%.

67. Finance companies which have previously shunned the farm financing field are now also loaming money for purchase of farm implements, and are known to make arrangements to return a portion of the interest charges to machine agents who channel deals to them.

68. Farmers can no longer farm without machinery. High interest charges are an important cost factor in farm production. We believe it would be regrettable if finance companies are permitted to gain a stranglehold on the future economic welfare of farm people. The trend in financing of farm implements bears strong implications for the future welfare of farmers. We urge this committee to closely examine this important facet of farm machinery costs.

Tariffs

69. Isolated instances have come to our attention of high rates of duty calculated on importation of second-hand farm machinery from the U.S. on the basis of a valuation provided by Section 38(b)(ii) of the Customs Act.

70. Members will be familiar with the terms and method of application of this duty as described by Mr. D. W. McGill, director, Department of National Revenue, appraisers branch, in evidence before this committee on July 19, 1960.

71. We believe the imposition of this section is entirely out of line and is used only as a comfort to farm machinery dealers in Canada.

72. It is our belief that the Customs Act was so designed as to allow new farm machinery imports from the United States into Canada duty free in order that Canadian producers would not be burdened by increased costs of production. To be consistent, the same principle should apply to the isolated instances of importation of second-hand equipment.

73. We also draw your attention to a reported suggestion made recently by an official of the Ontario retail farm equipment dealers association of the need to "do something" for the Canadian industry by placing levies on imported farm equipment which would, in turn, be used to finance support programs for the domestic industry.

74. We strongly recommend that this committee give no comfort to any such or similar suggestions which might be advanced by the industry or its allied representatives.

Conclusions and Recommendations

75. (1) In considering recommendations on the problem before your committee, we believe that many of the findings of the special committee of the house of commons which studied this same question in 1937 still hold true today. At that time, the committee concluded, among other things

- (a) That the companies engaged in the industry over the period of their operations as a whole have made substantial profits on the capital investment of the company;
- (b) That in the farm implement industry there is competition in the matter of sales but little effective competition in the matter of price;
- (c) That the profits to the farm implement companies on the sale of replacement parts are excessive and that the price of these to the consumer should be materially reduced;
- (d) That over a sustained period of time the retail prices of farm implements have been maintained at a too high level as shown by the financial returns to the companies engaged in the industry during that period;
- (e) That the companies themselves should make every effort to reduce those costs to the farmers;
- (f) To reduce these costs, more farmers should be encouraged to organize for the cooperative distribution and servicing of farm implements.

76. (2) In addition, because of the major technological revolution taking place in agriculture, rapid acceleration in model changes of farm equipment is, through obsolescence and administered pricing, making it exceedingly difficult for the average farmer to realize any substantial gains from the latest technological developments being employed today in agriculture.

77. Farm machinery companies are thus very materially contributing towards the cost-price squeeze of the family farm, with the result that many who are not able to stand the pace of modern technological developments are being forced into subsistence levels of living with untold cost to human and land resources, and in many cases are being forced out of agriculture entirely, which, in a period of economic recession is materially adding to this nation's employment problems.

78. (3) We believe the rate of planned obsolescence in modern-day farm equipment is many times greater than it was twenty-five years ago and is gravely compounding the difficulties of farmers in obtaining the proper service in the maintenance of their farm equipment, causing serious loss of time and money during crucial periods in the farm production cycle.

79. (4) We strongly recommend that this committee give serious consideration to the over-all effects of administered prices in the field of farm machinery, and that during the period of such studies no further price increases of farm equipment be imposed, thereby preventing further increases in the farmer's cost of production.

80. (5) We recommend that this committee consider the declining prices of farm commodities in relation to the purchasing power of the producer, and its effect on the economy as a whole in terms of unemployment and abuse of land resources, and that farm policies be implemented so that the average farmer may obtain a fairer share of the national income and a just and equitable price on the fruits of his production.

81. (6) Because of rising farm investment factors in farm machinery, machine companies should reduce costs of farm machinery and repair parts through manufacture of lower priced farm equipment designed to meet the need of the average farmer and the standardization within the industry of basic farm machinery parts.

82. (7) We urge the committee closely examine the effects to the farmers of high credit costs on programs conducted by farm implement and finance companies in farm machinery sales.

83. (8) No bids for increased tariffs or similar protection for farm machinery companies should be entertained and the present methods of valuation on imports of second-hand farm implements from the United States be discontinued.

All of which is respectfully submitted.

The CHAIRMAN: Thank you very much, Mr. Thiesson.

Mr. HORNER (*Acadia*): First of all I would like to say that there is quite a lot in the brief, and I have one or two questions that I would like to ask. I also wish to compliment the authors of the brief in putting it into clause form and numbering the clauses. It is much easier to question in that way. That is what we are here for, to arrive at some reason as to why farm machinery costs have gone up. The first eleven pages of this brief deal more or less with an introduction as to the reason for this study, and it has been this committee's policy to try to establish figures and facts on a sound premise. This has already been evident in reports, and my first question stems from this thought. On page 2 of the brief, under clause 5, the statement is made:

The general trend of agricultural prices has been downwards since 1951.

I would like to question Mr. Thiesson on that, but before I do so I would like to give him what I am going to question him from, namely the index number of farm prices and agricultural products. I would like him to look at this document before I question him.

If he will notice—this is put out by the dominion bureau of statistics, catalogue No. 62003—the index for farm prices in 1950 was 260. It rose in 1951 to 296 and from 296 it declined fairly rapidly and continually until 1957. Then, in 1958 a substantial increase, in 1959 a continued increase, and in 1960 a slight slump from 1959, but still above the previous low of 1957. So, in looking at that list of figures, Mr. Thiesson, would you not agree that the general trend of agricultural prices has been downward since 1951 up until 1957, but the general trend has gone the other way since then?

Mr. THIESSON: No, I would not say that the trend since 1957 has been upwards. The index, if you would care to look at it for 1957, is 234.2 and the average in 1960 239.4. In relation to farm implement costs, your highest cost

of farm implements is in the production of field crops and grain, and I do not think that you can note an increase in the price of grain production which is most closely or directly associated—

Mr. HORNER (*Acadia*): I have a supplementary question along that thought. If you look at Saskatchewan on that same chart I handed you, you will note that 1954 was 208, 1955 was 203, 1956 was 208, 1957 was 201, 1958 was 214, 1959 was 210.

The average for 1959 was 213.

Mr. THIESSON: But for 1960—

Mr. HORNER (*Acadia*): What I am getting at is that the general trend is reversed. It is downward from 1951 until 1957. It may have improved in 1952. Whether that trend will be sustained or not is another thing.

Mr. THIESSON: Mr. Horner, with all respect, the index figure for 1951 is 206.8, and it dropped in 1952 by 22.4 points.

Mr. HORNER (*Acadia*): Why was there that drop, in your opinion, seeing that you are taking 1951, the highest of the past 12 years?

Mr. THOMPSON: This was a peak. I did recognize it as a peak.

Mr. HORNER (*Acadia*): Let me explain to you why it was.

Mr. THIESSON: I know why it was.

Mr. HORNER (*Acadia*): It was largely because of the higher demand for Canadian cattle in America which caused our cattle to go up from 36 to 38 cents. This caused the price index to drop.

Mr. THIESSON: It dropped nevertheless.

Mr. HORNER (*Acadia*): It dropped in 1952 through no fault of this government, or the government at that time.

Mr. THIESSON: It is not a question of blaming the government or anyone else.

Mr. HORNER (*Acadia*): There is another question on the same line. Do you not feel that in figuring out the price index trend it would be better if you worked on an average rather than accept a high period figure for a given year. I know—and I wonder if you have checked the figures—that in averaging the last three years preceding the low peak that is 1955, 1956 and 1957, and averaging the next three years, that is 1958, 1959 and 1960, the index price has increased five per cent.

Mr. McINTOSH: I have a question—

The CHAIRMAN: Just a moment.

Mr. McINTOSH: This is on the same question, to save further argument. Have we figures on grain alone, and leave livestock alone?

Mr. HORNER (*Acadia*): They are saying here, Jack that the general trend of agricultural prices has been downward since 1951 and in order to establish on a firm ground the findings or the work of this committee, I say the trend has not been so, and I produced figures to prove there has not been a trend downward since 1951. This trend was held. They go on to say in clause 7 that farm machinery prices have doubled since 1940. If one looks at page 53 of the proceedings, he notices that farm machinery costs are two and a half times what they were in 1940, and that in the last five years farm machinery costs have increased 25 per cent. That is the reason. We have held the downward price trend on agricultural goods, but we have not held the continuing increase in farm machinery costs—and that is the reason for this committee as I see it.

Mr. USICK: I would like to ask this question. If the general trend is not downward—the honourable member mentioned that in 1958-59 it was from

the previous decline—to what, then, does he attribute the 1960 position which is the last, for the year just completed, where the trend was down in some cases, where it was substantially down in some individual provinces for that period. My position would be this, that if you use 1951 this is the peak, but the average low prices were started in 1954 and there has been little or no improvement from 1954 to the present time.

Mr. HORNER (*Acadia*): There has been a five per cent improvement.

Mr. USICK: Just look at the figures. The 1954 figure for all Canada was 236.9. The average last year was 239.4. That is an improvement of just one per cent. So the general trend since 1954 up until now has been hardly changed.

Mr. HORNER (*Acadia*): If you take one year here and another year there, as a proper way of making a comparison of price trend, you may get anything.

Mr. THIESSON: I think, Mr. Horner, you cannot assess the general trend—

Mr. HORNER (*Acadia*): Without taking a few years.

Mr. THIESSON: —by picking out just an isolated index. The circumstances over the past ten years, the economic circumstances in agriculture, the demand for farm products has been such that there have been no factors on the export market that have tended to bring a general trend towards an upward movement in farm prices. In respect to export sales of grain there has been no general trend in economic factors that has brought any indication of a rise in price in terms of grains on the export market. In respect to export sales of livestock to the United States there have been short-term fluctuations in terms of an increase in cattle prices, an increase in hog prices, and they have been associated with declines; but in terms of a general trend, as we said here, there has been no evidence to indicate that there is a wide sweep upward.

Mr. HORNER (*Acadia*): You are the person using specific agricultural arguments. This is an agricultural farm union and I am taking these index figures. These index figures take in all agricultural products. I drew a line across the chart and the increase went up in 1958 across Canada in all provinces, and 1959—

Mr. THIESSON: This is a matter of interpretation; the way I interpret a general trend appears to be different.

Mr. HORNER (*Acadia*): I am drawing a graph. You say the trend went down from the high peak and you assume it will go further. It is not fair to take a high peak, or take any one year.

Mr. ARGUE: I wonder if the two antagonists would agree with this—I am not trying to get into a quarrel—that farm machinery prices even on this index figure appear to go up.

Mr. HORNER (*Acadia*): That is what I said, that for the last five years farm machinery prices have gone up 25 per cent; but I am saying again that the facts do not bear out this statement that the general trend of agricultural prices has been down since 1951.

Mr. MONTGOMERY: I think that is plain to everyone, and that is the truth of it. We are not here to discuss farm prices, but the cost of farm machinery.

The CHAIRMAN: Would members speak one at a time, please. I ask this so that the *Hansard* reporters may be able to get this down.

Mr. MONTGOMERY: Section 5 is not true. Everyone knows that who knows anything about farming.

Mr. HORNER (*Acadia*): I do not want to prolong this. I want to leave clause 5 and go on to clause 6, which says:

As a result of the decline in farm net income, Canadian agriculture is in a state of depression. Thus, while a 20 per cent decline has taken place in the index of farm prices between the years 1951 and 1960,—

I will stop there. In figuring it out—and my arithmetic is not so poor that I cannot figure more accurately than that—I make it that the decline from 1951 to 1960 is 18 per cent, if one wants to use the high peak of 1951. Mr. Thiesson agreed that one year was poor. Actually if we go back ten years the decrease from 1950 until 1957 was ten per cent. The increase from 1957 to 1960 was 2.15 per cent. That is more or less a different trend than this twenty per cent decline. I want to see whether or not Mr. Thiesson would agree with that.

Mr. THIESSON: It depends on what you are basing your percentage.

Mr. HORNER (*Acadia*): On the index number of farm prices of agricultural products; 1935 to 1939 equals one hundred.

Mr. USICK: Possibly we might make some progress here and come to an agreement on the question of prices if, rather than using the high period of 1951, or some of the low periods since that time, we take a look instead at the average of the past number of years when we have had the low prices and the two years, for example, 1958 and 1959, when there was an upturn which went down again in 1960.

Mr. HORNER (*Acadia*): It never went down. 1960 is still above the previous four years.

Mr. ARGUE: I think the common courtesy would be to let the witness make his statement uninterrupted and then Mr. Horner could make his statement uninterrupted.

Mr. USICK: Perhaps I might finish. 1954 was the main downward trend in prices of agricultural commodities. 1954 was 236.8 on the chart which Mr. Horner has given us as an average of farm prices until the present time. As I have been sitting here I have taken an average of the last seven years. The average is 238.3 for the last seven years. Last year, 1960, it was 239.4 which is an increase over the average of the last seven years. The prices in the last seven years, on the average, have been almost unchanged. That average has remained fairly constant at 238.3.

Mr. HORNER (*Acadia*): If you had had that in your brief I would not have questioned it; but when you said that the general trend is down from 1951 I looked for the low between now and then to see if I could find any substantial decrease. There has been a substantial increase since 1957. 1958 was higher than the four years previous, also 1959; and 1960 is higher than the four years before 1957. The trend has reversed. Would you agree that the average of the last three years has been an increase over the preceding three years leading to 1957.

Mr. USICK: I would agree that the average has been higher, but the trend—

Mr. HORNER (*Acadia*): In other words the trend has been reversed.

Mr. USICK: Not necessarily.

Mr. ARGUE: Farmers are still in a hell of a mess; I don't care how you interpret this.

Mr. HORNER (*Acadia*): I question this twenty per cent quite severely and I wonder if Mr. Thiesson could show us the figures. I showed where I arrived at my eighteen per cent, using the high peak of 1951. Could he show us the figures for the twenty per cent?

Mr. THIESSON: I got my figures from the same source you did. I have them right here. It is the same source you quoted. It is a division of interpretation.

Mr. HORNER (*Acadia*): I would suggest this be tabled in the proceedings so that some people after reading the minutes would realize what we were talking about.

The CHAIRMAN: Is that agreeable?

Agreed.

(See appendix)

Mr. McINTOSH: I would like to make a suggestion in respect of percentages. You can use the same table and make it fit your argument. I am thinking right now of a suggestion we had that about twenty-one per cent of the farmers are getting less than \$1200 gross income. Seventy-eight per cent of the farmers in Newfoundland get less than \$1200. Four per cent in Saskatchewan get less than \$1200, but it does not prove anything.

This reminds me of the story of the executive who sent his secretary to get some statistics which he could use for a speech he was about to make. She came back and said that it would take five years to get the figures. He said forget about them. He went ahead and made his speech using fantastic figures, and was applauded. When he came back his secretary congratulated him and said "It was a wonderful speech. Where did you get those figures which it would have taken me five years to get?" He replied "I just made them up. Anyone who wants to disagree with them will take five years to do so."

I think we are in the same position right now. These figures do not mean anything. There is no reference in the brief as to where these are taken from. I suggest we go on.

Mr. ARGUE: Mr. Chairman, I have three or four questions. I would like to have a comment from the farmers union witnesses as to how much they think dealership mark-ups are excessive or adding unduly to the cost of distributing farm machinery. Before they reply, I would like to say that the Canadian federation of agriculture seemed to put a great deal of emphasis on their contention that there are too many dealers and that a great deal of the problem lay in the retail outlets. My own view, for what it is worth, is that the dealers make a very tiny profit. They are not the culprits in any way, shape or form. Although their margins may look large on the surface, they are very largely eaten up by paying substantial prices for trade-ins and so on. I would like to try to get the opinion of the farmers union as to what proportion of the farm implement price about which they are objecting might be attributed to large mark-ups by dealers, or inefficient dealerships.

Mr. THIESSON: Well, there is a trend, of course, in dealerships, of which the committee is probably aware. I think there is a general reorganization taking place in the number of dealerships that the companies have. This is being contributed to by a number of things. As the actual number of farms reduces it means that a dealer in a community will have a declining number of farmers to service. As a number of new model changes take place, it means that much more difficulty for an implement dealer to maintain an adequate stock of repair parts and requires a higher capitalization on his part to stock adequate repair stocks and to give service. I do not think there is any doubt that the mark-up that dealers have is substantial.

Mr. ARGUE: Do you know what it is?

Mr. THIESSON: I have heard figures mentioned which run to about twenty five per cent.

Mr. ARGUE: The dealers,—or at least one dealer, who is a member of parliament,—say it is fifteen per cent.

Mr. THIESSON: No. I think it is higher.

Mr. HORNER (*Acadia*): We can establish this fact when the implement companies come before us.

Mr. THIESSON: There is another aspect about this. I think the farm implement dealer is under pressure to make sales. He is put very much in the class of the car dealer. I think he has been described as an errant rug pedlar in as

much as he is dickering for sales and may allow a higher trade-in value on an old machine than it is actually worth. So to set the net to that dealer is difficult to arrive at.

Mr. ARGUE: My point is this; do you feel that in terms of profit margins of the dealers, as related to their net cost—I am not talking about a mark-up, because a mark-up is on cost—do you think very substantial savings can be made?

Mr. MCINTOSH: What do you mean by net cost?

Mr. ARGUE: Net profit. It is all right to say that a dealer gets 15, 20, or 25 per cent mark-up. But business people know it is the case that you are going to take in trade-ins, and that the companies will load a lot of repair parts on you, and pressure you into making sales. Therefore I suggest the implement dealer is just as much a victim of the implement companies as is the farmer.

Mr. TARDIF: Except that the cost of operation of different dealers is not the same; the overhead of some dealers will be much higher than that of others, and that will affect their net profits.

Mr. ARGUE: That is correct, but I would like the witness to give us his comments on whether or not, in his opinion, dealers are making large profits, and that is where we should be directing our attention. Personally, I do not think it is true, but I would like the witness to give us his own opinion, and we will respect it.

Mr. THIESSON: My opinion is similar to yours, Mr. Argue. I do not think there are too many dealers making too high profits. I do not think this actually exists, because they are under extreme pressure from the manufacturer to take on more machinery, probably, than they feel they are prepared to sell in the community.

I know this, because I have had relatives in the farm implement business, and this is what they have told me; and it is a matter also of having to stock up on parts.

Mr. USICK: Mr. Chairman, in answer to Mr. Argue's question I might say that there is definitely a trend among implement companies to reduce the number of dealers, and to attempt to get these dealers to lower the amount of discount which they allow the farmer, to lower the amount allowed on trade-in machines, and to charge the farmer a higher price.

In those areas in the province where they have reduced the number of dealers, where there are fewer dealers, the farmer has to pay a higher price because he does not get as large a discount as the dealer would normally receive.

Mr. DOUCETT: There are fewer dealers for the farmer to blame.

Mr. USICK: You may look at it in that way, but we have found it to be that wherever there are many dealers, there is more competition, and the farmer will get a better value for his implement, or a lower price in the cash payment.

The trend of the companies is to reduce the number of dealers and thereby reduce the amount of competition, which would mean an increase in the price to the farmer.

But there seems to be perhaps one contradiction in this, and that is that in those areas where there is greater competition, the block man who is acting for a certain company that does not want to lose a particular deal to another dealer—particularly to a dealer who may be just at the point of hardly being able to survive in that area—that block man, in trying to conclude a deal with a farmer, will often reduce the percentage of allowance that he is allowed over and above the dealer's trade in, and try to make that sale in that area. This practice has put some dealers out of business.

Mr. ARGUE: I have some further questions.

Mr. McINTOSH: May I ask, for information, if Mr. Usick and Mr. Thiesson are both farmers?

Mr. USICK: Mr. Thiesson is secretary of the Saskatchewan farmers union. I am a farmer, and I am president of the Manitoba farmers union.

Mr. ARGUE: What type of machinery do you use?

Mr. USICK: On our farm we have International Harvester Company machines, also John Deere, and Massey-Harris machines. I have a brother-in-law who is a Massey-Harris dealer.

The CHAIRMAN: It is now about five minutes to eleven. This clock, I believe, is slow.

Since your chairman and also the vice-chairmen must be unavoidably absent this afternoon, we have asked Mr. Forbes if he would assume the chair. I hope the committee will be agreeable to the suggestion, but I believe a motion is necessary? Is it agreed?

Agreed.

When you return this afternoon, we would ask you as much as possible to assume the same seating arrangement as this morning. The reporting staff has three new members, and this would facilitate their getting the proceedings attributed to the right person.

Mr. TARDIF: What was the motion?

The CHAIRMAN: The motion was that Mr. Forbes act as chairman of this afternoon's meeting.

Mr. TARDIF: I see.

The meeting adjourned until 2:30 p.m.

AFTERNOON SESSION

FRIDAY, April 21, 1961.
2.30 p.m.

The ACTING CHAIRMAN (*Mr. Forbes*): Gentlemen, if you will come to order we shall get the afternoon session under way and, before we proceed with the brief, I have an announcement to make, that the Canadian congress of labour are unable to appear on Monday and have been re-scheduled to appear at our meeting on May 29. Accordingly, there will be no meetings of this committee next week.

Mr. HORNER (*Acadia*): All of next week, Mr. Chairman?

The ACTING CHAIRMAN (*Mr. Forbes*): Yes, according to this. Now, Mr. Thiesson has a comment to make.

Mr. THIESSON: Before we begin the afternoon session I should like to say that our approach in our presentation here has been, with respect, not trying to assess the blame in this particular subject on any particular segment of the economy but to try and analyze, as objectively as possible, and on as broad a scale as possible, the whole problem. This morning there was some discussion with particular reference to paragraphs 5 and 6 in our brief, and I should like to ask Mr. Horner to lend me his 1960 year book for a moment. By quoting from it, it may help clear up our particular approach on this question.

In the initial stages of our brief it has been our purpose to try and outline, as broadly as possible, the farm picture as it is seen by us and by others as well, and in paragraph 5, page 438 of the year book the following is stated:

The general trend of agricultural prices has been downward since 1951 while there have been upward trends in non-agricultural prices,

in consumer incomes and in business investments. The costs of goods and services required by farmers have increased while agricultural prices have not, which has put the farmers into a situation described as a "cost-price squeeze". As a result of the decline in farmers' net income, Canadian agriculture, in contrast with the buoyant prosperity of many other industries, is in a state of depression. For several reasons it is much more difficult for farmers to move to other lines of work than it is for those in other industries to change their occupations.

With regard to the figure of 20 per cent, if you work it out by actual mathematical division it comes to 19.3 per cent. I have chosen to round it out for the purposes of general outline, and that was my only intent. I want to bring this to the attention of the committee because I feel that, to some extent, the integrity of our organization has been questioned. I have been mainly responsible for the preparation of our brief and I do not want to leave that impression on the record.

Mr. HORNER (*Acadia*): Personally I should like to thank Mr. Thiesson for explaining where he got those viewpoints. I argued with him that the percentage which he quoted should be 18 per cent. He said it was 20 per cent, and so we shall split the difference and call it 19 per cent. The point I was trying to make was that, of course, you are dealing in general trends, and to some extent Mr. Thiesson agreed with me. Therefore, I am prepared to let the matter drop.

The ACTING CHAIRMAN (*Mr. Forbes*): The first 11 pages of the brief are merely a preamble to the subject under discussion. Would the committee agree to pass it and get into the heart of the matter?

Mr. ARGUE: Last time we had the federation of agriculture here they went through their brief, very much as Mr. Thiesson has done this morning, and then we were allowed to ask questions on the brief as a whole. I have a couple more questions which I should like to ask. You will remember that I had the floor this morning when I had to go into the house.

The ACTING CHAIRMAN (*Mr. Forbes*): Would your questions concern this portion of the brief only?

Mr. ARGUE: They would come in on this part. I would like to put these questions, and I think it is just as convenient a way as doing it section by section.

The ACTING CHAIRMAN (*Mr. Forbes*): That is what I meant—to do it section by section.

Mr. ARGUE: I have these two questions—

The ACTING CHAIRMAN (*Mr. Forbes*): In other words, you want to make a brief statement before starting into the whole question?

Mr. ARGUE: No, I should like to continue my questioning until I conclude.

The ACTING CHAIRMAN (*Mr. Forbes*): All right. Proceed but do not take too long.

Mr. ARGUE: I have two areas I want to cover and I shall tell you what they are. One has to do with this thing about the 10 per cent credit, and the small loan companies getting into this field, and the other has to do with C.C.I.L. operations in the other part of the brief.

Mr. McINTOSH: Could the first one be taken up under page 22?

Mr. ARGUE: It could be taken that way but I would appreciate the opportunity of taking it this way. I was doing it this way and I intend to do it this way. We had a bill in the house last week when we were discussing high interest rates, and another one was introduced this morning. The question of high interest rates and credit has exercised the minds of members of parlia-

ment in all parties for some time, and I am going to make what I think is a correct statement, namely, that more and more members are coming to the point of view that action should be taken to do something about the high interest rates.

The ACTING CHAIRMAN (*Mr. Forbes*): Are those interest rates referred to in the brief?

Mr. ARGUE: Yes, and I view with alarm the situation set out by Mr. Thiesson. I want to say as far as I am concerned, and I think most members will agree with him, that the Farm Improvement Loans Act, with its 5 per cent interest, has been a tremendous help to agricultural producers over the years. We appreciate this legislation and we want to protect it. Now, I wonder if we can be told the names of some of these companies which are charging 10 per cent, and if we can be given any more information on the degree to which small loan companies are coming into the farm loans field. I think their coming into that field represents a very bad state of affairs and action should be taken to provide alternative means of credit at reasonable interest rates.

Mr. HORNER (*Acadia*): I have a supplementary point to that.

Mr. THIESSON: In respect to the farm implement companies that are actually in the financing field, I understand that most of the major ones are in it.

Mr. ARGUE: John Deere Company, International Harvester Company?

Mr. THIESSON: I think so. Massey-Ferguson Limited, and possibly a few of the others. J. I. Case is in it also. Finance companies that, I understand, are in it are the Industrial Acceptance Corporation, the Commercial Credit Corporation—I think it is Canada Acceptance or Commercial Acceptance Corporation, I am not sure, the initials are C.A.C. There are three of them.

Mr. ARGUE: Is the 10 per cent figure that you refer to an interest calculation, or is it a charge of 10 per cent apart from the way the payments are made? Does it include service charges, carrying charges and so on? The reason I ask that is that small loan companies might try to prove that their interest is only 10 per cent, but if you take all of their charges you get up to 20 per cent. I am wondering if this is a simple 10 per cent interest or whether this is some other type.

Mr. THIESSON: I believe that the specific information as to the amount of interest charged by different machine companies could probably best come from them. I would not want to speak authoritatively on all of their contracts. I did speak to a certain person who was in the credit department of one of the farm implement companies, and he gave me this particular information.

Mr. ARGUE: You have not examined the contract?

Mr. THIESSON: I have not seen the contracts, but he was the credit manager or the distributor in Saskatoon and he informed me that most of the machine companies were in the financing field and that the finance companies themselves were moving in this direction.

Mr. ARGUE: Industrial Acceptance is much higher than 10 per cent.

Mr. THIESSON: That is correct. In their particular case it was very near that.

Mr. FORGIE: Is that 10 per cent not an over-all figure?

Mr. HORNER (*Acadia*): I have a supplementary question on that. I wonder if Mr. Thiesson has an idea as to what percentage of farm implements sold are financed by machine companies or these other finance companies.

Mr. THIESSON: I phoned this person up and discussed this question with him. I told him I was wondering why a farmer would choose to finance the purchase of farm implements through farm machinery companies if he could get a loan at 5 per cent through the farm improvement loan. He explained it

this way, that agriculture is in a period of diversification and it is often the desire of farmers to keep open their lines of credit through the farm improvement loan for other farm improvements, such as the purchase of cattle and so on. As a result, he said, they will come to us and finance the purchase of farm machinery through the company. I asked him if they were active in this. He said yes, they were acting in this particular line of financing.

Mr. HORNER (*Acadia*): You have no ideas as to what the percentage was?

Mr. THIESSON: I did not ask him.

Mr. McINTOSH: I wonder if the interest charged by all these different implement companies is the same?

Mr. THIESSON: It is not.

Mr. McINTOSH: Could you give us some information as to how it varies?

Mr. THIESSON: In this particular case they have three levels of interest rate they charge, depending on the type of contract. He has explained that their interest rates insured a person against death and also insured machines against loss. He said that on a monthly payment it ran to 5.9 per cent on unpaid balance.

Mr. McINTOSH: Was it a matter of choice for the farmer?

Mr. THIESSON: I am speaking from memory but he said that on an equal payment plan it ran somewhere around 9.6 per cent, that is where it was paid quarterly or every six months on farm implements. He called it an equal payment plan; it ran to 9.7 per cent, and he said that a contract with a competitor calls for an interest rate of 8 per cent on the full principal for a three-year period, even though the repayments were made on an annual basis. I pointed out to him that the actual result of this would be much higher than 8 per cent and he agreed that it was.

Mr. McINTOSH: I have read this brief and I see that in your recommendations and conclusions you suggest that the farmers should act on a cooperative basis. You said earlier that there was a C.C.I.L. or co-op that offered for sale Cockshutt equipment. Do you know whether they charged the same interest or an equivalent interest to these other companies?

Mr. THIESSON: I do not know. I think the C.C.I.L. have sold it in a variety of ways—through the farm improvement loan, or a loan through the credit union, perhaps.

Mr. KORCHINSKI: Mr. Thiesson said first that he called on the farm association?

Mr. THIESSON: No, a credit manager.

Mr. KORCHINSKI: The point was that the farmers wanted to keep this line of credit open so that they could get money through the banks and through the farm improvement loan. Is it your point that they had not used up the full credit available to them? Is there not enough credit available to them, that they were put in a position where they do this?

Mr. THIESSON: It may be both. It seems to me that under the farm improvement loan if a farmer has an outstanding debt for a farm implement which he has purchased and which he is paying off, and for which perhaps he owes \$1,000—to a large extent whether a further loan is granted is at the discretion of the bank manager. I asked this particular individual whether they had gotten into this business possibly as a result of the tight money that has been prevalent in the last few years, and he said that was one of the major reasons why this step was taken, that bank credit had in fact been tightened up in extending farm improvement loans. Whether that is a valid explanation for this trend or not, I do not know.

Mr. KORCHINSKI: I have dealt with these people before, and if I have a legitimate case for borrowing money they are fairly cooperative, and have been with me and with others of whom I know. If they have reached the point where they have used up all their credit, there may be a tendency for some to take more than they can repay and bankers have got to know that. The corporations will have this money available; they are not too concerned whether the man is losing in his farming experience. They do not care how he repays; they just like to supply the equipment and after that it is the farmer's worry. It seems to me that the banker has given fair advice in that way.

I cannot understand what your attitude is here now. Would you think they have been or they have not been restricting credit too much? Would you think there was a tendency to have tight money? Is that your impression?

Mr. THIESSON: We are drawing this question to your attention because interest rates can form an important part of farm costs and if, in fact, implement agents or others are extending credit, that is, over-extending credit to the farmer by giving him this type of loan when he may have debts at the bank which make it impossible for him to repay it on the basis of what he can produce and what he can sell, then perhaps they are not actually doing him a service by doing this, because they may end up by repossessing his machine. This may, in fact, affect his future, with a farmer, because he might be forced right out of this business altogether.

During the earlier period of this century the mortgage companies had a great reputation in the financial field and a lot of them ended up with considerable blocks of land, which was later sold following the depression. This can have a similar effect on the farmer because, under modern agricultural conditions, the farmer must have farm machinery in order to farm; so the result can be the same as it was probably forty years ago.

Mr. HORNER (*Jasper-Edson*): Does your national association find that the banks have not been too co-operative in regard to farm improvement loans?

Mr. THIESSON: I would not say too much about that situation, but this was so a matter of a year or several years ago—where people have been turned down for farm improvement loans.

Mr. HORNER (*Jasper-Edson*): That the banks had cut down the credit on the farm improvement loans, by order from the head office—which I object to very much.

Mr. USICK: May I refer to the former statment by Mr. Horner in regard to the banks. In our area the Royal Bank still operates a policy where there are no farm improvement loans for more than \$3,000 to an individual farmer without the manager having to go to head office for aproval. As you know, of course, there is an over-all limit on the farm improvement loan as well. With the high cost of some machines, particularly tractors and combines, it does not take any more than one machine in some cases, two at the most, to reach the maximum.

The ACTING CHAIRMAN (*Mr. Forbes*): Thank you for that information, Mr. Usick.

Mr. HORNER (*Acadia*): On page 22 of the brief, in paragraph 65, you say that "within recent years" certain restrictions have been placed on credit. If you look at the annual report for 1959 on farm improvement loans—you will probably agree with it, Mr. Thiesson—the government amended the farm improvement loan legislation to increase the amount one could borrow under it from \$5,000 to \$7,500.

This to me is not a credit restriction: this is the reversal of credit restriction. The year 1958 you would include in your "recent years". The point I want to make is that in looking at the number of loans and the amount of

money loaned out, the amount of money loaned out in 1957 was \$69 million, according to the figures in this table. The amount loaned out after the farm improvement loan was increased in 1958 jumped to \$90 million.

In 1959 the figure is \$98 million, and it is actually higher than the amount of money loaned out under farm improvement loans in any preceding year. The number of loans made in 1957 was nearly 58,000. In 1958 this figure jumped to 70,000, and in 1959, to 71,000.

I would merely point out—and you would probably agree—that credit restrictions—although I realize that in 1959 the banks did, to some extent, place credit restrictions on farm improvement loans—but I hope you will agree that credit restrictions have not lowered the amount of loans, or the money loaned under farm improvement loans, while the amount of money loaned out under those loans has increased.

It may not have increased enough but the restrictions have not affected it. You realize what I am getting at. Actually there have been no restrictions in the overall picture, according to the figures which I read out; but the liberalization of credit may have been enough to take care of the demand.

Mr. THIESSON: I realize the role of the government in farm improvement loans, and this is not under dispute in my view. What we are trying to say is that the discretion of expanding loans under farm improvement loans often rests upon the individual bank manager, and it is as a result of the tightening up of this discretion that it has opened the field for a new area of financing which is increasing costs to the farmer in the purchase of farm equipment.

Mr. HORNER (*Acadia*): Whether the banks tightened up on money or not in 1959, the amount loaned under the Farm Improvement Loans Act was greater than ever before, and the number of loans increased also. Therefore, it is hard to see in the overall picture if you have tightened up your loans in 1959. But before that, credit restriction was, in fact, liberal. That is a word I hate to use, but for the want of a better one, I use it. My point is that you increased enough to cover the demand.

Mr. SLOGAN: I was just wondering if the farm unions had any suggestion to make as to how to alleviate this question of credit? Do they feel that credit should be expanded further, or terms of liberalization expanded further?

Mr. THIESSON: Under the farm improvement loan section, you mean?

Mr. SLOGAN: Yes.

Mr. THIESSON: Well, it is a discretionary question, it seems to me. I think that generally, bank interest rates have gone up, and if a bank can lend its capital out, all right.

Mr. MUIR (*Lisgar*): No; the bank interest rates are statutory at 6 per cent.

Mr. THIESSON: Well, interest rates generally, I think, have been increasing. I suggest that interest rates generally have gone up; and if there is a shortage of loan capital, and if the bank has discretion to loan at 6 per cent, or 5 per cent, the tendency is for them to loan at 6 per cent.

Mr. ARGUE: Are you sure of that? The assurance we are given in the house is that the banks have co-operated fully, and have not discriminated against the 5 per cent loans; and that if there is any tendency towards tight money it is something that the banks apply generally.

But if you have some evidence the banks have discriminated in their 5 per cent loans as compared to their 6 per cent loans, I would like to have it, because if the Minister of Finance were here, I am sure he would say that the banks treat everybody who comes in in the same way, whether they make a 5 per cent or a 6 per cent loan.

Mr. USICK: I would say, from our point of view in Manitoba, and from looking at this, that we cannot see where the banks discriminate between

the 5 and 6 per cent rates. The banks have taken the position since August of 1959 that they have tended to put more restrictions on all loans, even in the case of farm improvement loans. Even though there are more farm improvement loans, there is more demand for that sort of credit. Farmers need more of this type of credit.

If you look at the figures on the purchase of farm machinery in the last six years, you will find that there was a very sharp decline, and that we are not buying anywhere near the number of farm machines that we did, let us say, in the fifties. As that machinery depreciates and wears out, there is more and more demand to have it replaced, plus the demand for the newer types of machinery coming out, so that there is more demand for farm improvement loans in general.

In our area, the bank manager makes the offer to the farmer with the best credit. I mean, he is not allowed to make a farm improvement loan of more than \$3,000 in the case of an individual farmer. Once he gets beyond that figure he has to go to the head office. The result is that some farmers are turned down on their loans on any basis, so that the implement companies will tend to sell their machines to this type of people at interest rates of six, eight, ten or even a higher percentage.

Mr. SLOGAN: In the opinion of the farm unions, if interest rate is a factor, would they prefer keeping the interest rate at five per cent with the restriction it is causing now, or would they prefer to have the interest rate raised to six per cent and to have more availability of money?

Mr. ARGUE: First of all you must establish that there are fewer loans at five per cent.

Mr. THIESSON: In respect to the figures which Mr. Horner gave us for 1959, that year was a peak year in farm implement sales; it was up 29.9 per cent from 1958. It was the biggest year since 1953 in farm implement sales.

Now, as to your question as to whether farmers would want the five per cent interest increased, I do not know if I could answer it truthfully or not.

The ACTING CHAIRMAN (Mr. Forbes): Do not tell us anything that is not the truth!

Mr. THIESSON: I would not, personally, want to have interest rates increased, no.

Mr. SLOGAN: The other thing I would like to ask you is this: we have heard some spokesman for farm unions—I recall a meeting at Selkirk, where the hon. Alvin Hamilton spoke, and when the secretary of the Manitoba farmers union made a big to-do about the debt position of the farmers.

Which would you prefer to have, restrictions on credit so that the farmers would not be so much in debt, or would you favour having more credit so that the farmers could go further into debt?

Mr. THIESSON: I think the policy of the government has been established by expanding the loan limit of the farm improvement loan, and under the farm credit corporation.

Mr. SLOGAN: Do you object to that?

Mr. THIESSON: No.

Mr. USICK: Dealing with the secretary of the farm organization of Manitoba, farmers generally require liberalization of credit in order to be able to have credit available to them. However, they also require an overall agricultural program in which they are able to make enough money to pay off their debts, and so that the debts will not increase over a period of years. Otherwise they will continually increase. You can liberalize credit without necessarily increasing the debt, I mean the overall total debt. But that debt has continually increased. It is one which should be reduced, but it can only be reduced by an overall agricultural program which will reduce that debt.

The ACTING CHAIRMAN (*Mr. Forbes*): I think we are getting away from the subject of interest on farm machinery.

Mr. MCINTOSH: I would like to pass a few remarks on what Mr. Usick said a few moments ago. I think if he is not misinformed, then he has possibly misinformed the committee.

I think we have to be fair to the bankers in western Canada; and I think if he would investigate the situation, he would find that it has been known for quite a long time that the policy of the banks to restrict their managers to \$3,000 limits was applied by the head office. That is a general policy of all banks and it has been that for years. In respect of the machinery you mentioned which was purchased in the late 1940's or 1950's, this was an aftermath of the war when equipment was worn out and could not be replaced. Naturally it would be high at that time. When the farmers had sufficient machinery they would stop buying.

The CHAIRMAN: Is there anything further on interest rates on machinery?

Mr. KORCHINSKI: I was wondering whether or not the farmers union has any evidence of the effect of any particular branch or bank restricting credit more than others. Have you any evidence to substantiate any such charge, any evidence that one particular bank might be a little more lenient?

Mr. THIESSON: We have not investigated this particular aspect. What we have tried to do is draw your attention to the fact that farm implement companies are getting into the field of financing farm implements and it is costing farmers more than they can afford to pay. The interest rates charged by these companies are adding to the cost of the farm implements.

Mr. HORNER (*Jasper-Edson*): What do you think we should do about it?

Mr. THIESSON: I think we should find out from the farm implement companies, when they appear before you, to what extent they are in this business and how much money they should loan. I understand they are doing the financing themselves in some cases and not borrowing from the banks. I think we should find out how this affects the cost of farm implements to farmers, and then the recommendation is up to you.

Mr. SOUTHAM: Dealing with the amount of interest charged when buying machinery, on page 22, clause 67, there is an interesting statement. It says:

Finance companies which have previously shunned the farm financing field are now also loaning money for purchase of farm implements, and are known to make arrangements to return a portion of the interest charges to machine agents who channel deals to them.

That is quite an interesting statement. I am wondering how much evidence of this there is.

Mr. THIESSON: This is information which I received from the source I was speaking of. I regard it as reliable. He said that their particular implement agents asked them why they did not do the same; that is, the company channel back a certain percentage of their interest rate to the dealers in order that they can finance through their company rather than the finance company. To me this is an alarming thing. It can add materially a great deal to the cost if you have a nebulously worded contract that indicates on the surface a small interest rate but which when you calculate it out in terms of interest runs into large amounts.

Mr. SOUTHAM: This is an alarming situation. I am wondering if the practice is prevalent.

Mr. THIESSON: I do not know how extensive it is. He told me of instances he knew of it happening.

Mr. CLANCY: On this deal, or kick-back of interest, of course, you realize that if the deal goes sour the dealer has to take back the machinery.

Mr. THIESSON: Yes.

Mr. CLANCY: I cannot see a dealer taking a kick-back on rather dubious accounts. We were speaking about the farm improvement loan. The farm credit act provides for the financing of equipment at five per cent. I know of many areas in which several farmers, particularly young farmers, consolidate their machinery debts under this farm credit at interest of between eight and five per cent. This is a source of credit open to farmers. But, mark you, the advisers employed by the department make a check on them. However, they certainly are lending the money out.

Mr. THIESSON: You are speaking of consolidation of debt?

Mr. CLANCY: Yes.

Mr. USICK: This is not under the farm improvement loans.

Mr. ARGUE: My next questions have to do with the C.C.I.L. and perhaps something you might consider with the committee, as to where we go from here. Just to make a quick statement on your brief, I would say that it is an excellent brief diagnosing the disease without a comprehensive recommendation of a cure. There have been some important recommendations; one is freezing of prices of implements while the committee is working. In your brief you have stated that the C.C.I.L. is in the cooperative business handling implements to some extent and the cooperative federee in Quebec to a certain extent and with some real success. I put this proposition to you. One of the things necessary to be done if we hope to handle all the problems you have talked about—administered prices, planned obsolescence used by the companies as means of keeping prices up, excessive profits and mark-ups on repairs—is to get the ownership of a farm implement company in the hands of, preferably, the consumers or the farmers. Have you thought of the suggestion that the C.C.I.L. or the cooperatives in Canada generally should expand to the point where they could buy up an integrated farm implement business like Cockshutt and get into the manufacturing end of the industry where, I suggest, the real profit is made. Is there anything this committee can do by way of recommending an inquiry in order to see what might be done to finance the purchase and initial operation of such a large undertaking? I do know, from some information I had years ago, that the C.C.I.L. had seriously considered the purchase of the Cockshutt Company, but as time went by the company expanded and it became practically impossible with the finances they had. To me it seems that we have to get into the manufacturing industry in some way. Have you any comment on that?

Mr. HORNER (*Acadia*): That would be a better question to put to the C.C.I.L. when they are here.

Mr. ARGUE: We have a witness who is an authority in the farm field. I think this is an obvious question, whether the cooperative industry in any way can be expanded to the point where it can have control of the manufacturing and distribution of farm implements. If the witness does not want to answer, that is his business.

Mr. THIESSON: On the particular aspect of the C.C.I.L. entering into the manufacturing field, I think we have discussed with them the possibility of purchasing Cockshutt and the conclusion was it would require several millions of dollars to do that. I believe it would require a fair sized loan in order to do that. I do not know whether or not you are possibly referring to a government loan in an amount to make this possible. I am not certain what the attitude of the people in the C.C.I.L. is on this. I do not think they have adopted a policy of working in this direction. Therefore, I could not assume to try to make policy for them on it. I think this is something

which, as a producer organization, they will have to arrive at a decision on themselves.

Mr. ARGUE: As I see it the position of the farmers union is that while you have no control over the operations of the C.C.I.L., you have a general interest in agricultural conditions. Therefore, I think it is fair to ask you whether or not the expansion of a cooperative in this field might be the answer. Surely you have a point of view on the question.

The CHAIRMAN: Is there anything further on interest?

Mr. ARGUE: Mr. Chairman, I would like to ask the witness if he has anything further to comment on that point.

The CHAIRMAN: We will come to it on another clause.

Mr. BOULANGER (*Interpretation*): On a point of order, Mr. Chairman. Since this morning we have been dealing entirely with interest rates. Mr. Horner, as well as a number of other members, have dealt with them. I feel that we are not here to deal only with interest rates, but that our main concern is to deal with the prices of agricultural machinery.

The ACTING CHAIRMAN (*Mr. Forbes*): We are coming to that, Mr. Boulanger. However, the subject of interest was brought up, and after we dispose of that, we will be able to discuss the manufacturing end of it.

Mr. BOULANGER (*Interpretation*): Mr. Argue asked the witness to express his opinion on a matter of general policy. To me, this is politics, and this is not the place to carry on in such a fashion. If we are allowed to do so, there is no reason why we should ever stop.

The ACTING CHAIRMAN (*Mr. Forbes*): No; I think Mr. Argue's comment was relevant to the subject of machinery costs and interest.

Mr. ARGUE: Mr. Chairman, before we leave this—

The ACTING CHAIRMAN (*Mr. Forbes*): Just a minute, now. We have a list here. We have finished interest and we have a place on this list where you can make a general statement. This was left open by Mr. McBain.

Mr. ARGUE: Mr. Chairman, I asked at the opening of this meeting if I could pose two questions in that general field—one in respect of interest rates and one in connection with the C.C.I.L. operation. I took it that you gave me the right to do so. I asked about the C.C.I.L., and I would like to know from the witness whether he is going to comment further on the suggestion that this might be a field wherein at least part of the answer to high machinery prices could be provided. I think this is of exceedingly great importance to this committee. The committee will be making recommendations, and I think that they might look at the co-operative field as an alternative method of solving the problem. I also feel that the point of view of the national farmers union is pertinent, even though it is not a co-operative producing implements.

The ACTING CHAIRMAN (*Mr. Forbes*): You asked about that, and he is answering it.

Mr. THIESSON: I could answer it this way. If and when the C.C.I.L. have a policy that indicates that they are interested in buying out a farm implement company, whether it is Cockshutt or some other company, I am quite certain that the members of our organization would support them in this direction. However, as far as I know, up to the present time they do not have such a policy. I do agree that co-operative sales of farm implements can represent an important area of saving to farm people. I might say that part of the difficulty in this rests with individual people and also because of the general approach that is taken.

Mr. ARGUE: How would you reduce the price of farm implements? That is what the committee is all about. How would you reduce the price of farm implements?

Mr. THIESSON: Through the C.C.I.L.?

Mr. ARGUE: Through anything. You have said, "We will freeze them while the committee inquires." Have you a single proposal which would reduce the price of farm implements?

Mr. THIESSON: First of all, you would have to assess the underlying cause of higher prices on farm implements.

Mr. CLANCY: I object to this kind of questioning. That is the purpose for which we are here.

Mr. ARGUE: I was just asking what their recommendation was to reduce prices.

Mr. CLANCY: Let's get on with our work.

Mr. MUIR (*Lisgar*): Mr. Chairman, I believe I am next on the list.

The ACTING CHAIRMAN (*Mr. Forbes*): Yes. Are you finished with your reply, Mr. Thiesson?

Mr. THIESSON: Allow Mr. Muir to go ahead.

Mr. MUIR (*Lisgar*): Mr. Chairman, I would like to get away from the preamble and to get down to the reason why we are here. I am referring to the cost of farm implements to the farmer.

I note, in the recommendations to the committee in your brief, that you suggest that farm machinery be made smaller to suit the needs of the average farmer. I have four questions to pose in this regard.

Is it not true that the farmers are requiring larger machines for two reasons: first, to reduce the per acre cost of operation and, secondly,—particularly in the case of tractors—the farmer's experience has been that surplus power for any farm job does a better job of it and lengthens the life of the tractor. You have proposed that we recommend that farm implement companies build smaller machines. If you like, I could go further. Actually, small farm tractors are needed for specific purposes, and they are being produced by the machine companies for those specific purposes. However, to suggest that the farm implement companies produce smaller units in larger volumes for a market which is not going to absorb them, is, from my point of view, unrealistic. I say that for this reason: Unless you have a market for the product that is produced, then of course no private enterprise company can afford to produce them.

Mr. THIESSON: What we are trying to do, in what has been referred to as the preamble, is to outline some of the different factors that are involved in agricultural production. It has been noted by the authorities that we have quoted that the trend is toward the manufacture of larger sizes in farm implements. Now, perhaps it is not always necessary that a larger farm implement can serve the best possible purpose for the farmer. For example, if a farmer buys a farm implement that has a working capacity larger than what is really economical for his farm, it means that he is pressurized into the need for more land in order to use his farm machinery to the greatest possible efficiency. In order to use a machine efficiently, he must be able to keep his unit cost of production—his bushel of grain or whatever it is—down to the lowest possible cost. If he has a machine that is suited to working one and one-half sections and if he only has a section or three-quarters of a section, the cost of depreciation of that machine will be greater. It is set at a certain rate per year. If this depreciation has not been used in his production, it means that his unit cost of production goes up, because the depreciation is greater than really is necessary. Then, although the machine might still be in good running order in five or ten years, he has it depreciated out, in so far as book value is concerned. Then, he runs into another problem, that of obtaining parts. If he cannot obtain parts, the machine is obsolete and, as a result, what he is not

able to efficiently use in depreciation in his production cost he loses through obsolescence. For this reason, if he is required to buy a machine which is larger than is needed for his particular farming operation, then he is caught up in a cost-price squeeze in this area.

Mr. MUIR (*Lisgar*): Of course you realize, Mr. Thiesson, the farmer now has his choice of the size of tractor he wants and the manufacturers are still building small tractors. The point I am trying to bring out is that the farmer with a small farm will not buy a small tractor because he wants to reduce his acreage costs, and that includes the depreciation about which you speak. Secondly, a machine with surplus power will outlive one that is worked under full load all the time. The farmer himself has made his choice and I do not know that the committee can recommend the farmer to buy a smaller tractor, just because he should have a smaller tractor, when he himself decides he is doing better with a larger one.

Mr. THIESSON: Actually, of course, he may not be doing better on balance with a larger one. When you say he is making the choice by himself there are other factors to be considered, such as advertising, promotion and that type of thing. All this possibly suggests to him that he needs a larger tractor than he actually does.

Mr. ARGUE: I was about to interrupt. Is not part of the trouble here that the companies cease making spare parts for the smaller tractors, even though the tractors are in good shape and could be kept running?

Mr. MCINTOSH: Are we not running off the lines?

Mr. MUIR (*Lisgar*): I am still questioning.

Mr. MCINTOSH: That is what I am getting at. Are we all going to be allowed to make interjections like this?

The ACTING CHAIRMAN (*Mr. Forbes*): I was hoping you would all be adult enough not to interject when another fellow is speaking.

Mr. ARGUE: A very straightforward statement.

Mr. MUIR (*Lisgar*): The point I was trying to bring out is that you have to give the farmer some credit for being able to operate his own holding. It is he who has decided he wants a larger tractor, and I do not think it is up to the committee to suggest to him that he should buy a smaller one when he has already decided he should buy a larger one. Actually, even in the case of a small combine, when a farmer starts out on a half section with a small combine he may get a day's work done, then the weather closes down on him and he is through combining for six weeks. On the other hand, if he has a larger combine he could have his work finished and, in that particular instance, could pay the difference between the smaller and the larger combine over a period of time. Mr. Thiesson, I do not think that particular section of your brief holds too good.

Mr. THIESSON: I think it is a trend.

Mr. MUIR (*Lisgar*): You think it is a trend?

Mr. THIESSON: Yes.

Mr. MUIR (*Lisgar*): At that point of disagreement I shall leave the matter and go on to another question. Do you have any specific examples of high valuations being placed on used machinery for duty purposes at the border? Have you any specific examples which you could give of that?

Mr. USICK: I think the answer is simply that the amount of second-hand machinery now moving over the border has dwindled considerably as compared to what it was before, and the reason for that is because of the high valuations placed on it.

Mr. HORNER (*Acadia*): I have a supplementary question to that.

Mr. MUIR (*Lisgar*): That is exactly opposite to the answer I got from a customs man while I was home a year ago, just before the Miami meeting. I was questioned about this matter so I phoned him and asked him about the importation of second-hand machinery. He told me that second-hand machinery was coming over at true Canadian valuations; that is, if there was evidence the price paid in the United States was not too far below what a farmer would be expected to pay in Canada, there would be no duty whatsoever. I make this statement with full assurance, because this was one of the men who places the duty on machinery when it comes over the border. I had his full assurance that, unless there was some skulduggery in the price across the border, a machine would come over without duty. Unless you wish to comment on that, sir, I have one further question—

Mr. USICK: That information sounds odd because I am familiar with your constituency in Manitoba. I know there were a great many complaints from your area, particularly from the farmers there. We got those complaints in our office stating they could not bring in second-hand machinery from the United States. They used to bring in a great deal of machinery at one time until the change in the regulations and, after that, they had to pay a valuation on the second-hand machinery after they brought it into Canada. They questioned this procedure and most of the complaints came from that area. Therefore, that information, if it is correct, certainly seems at variance with ours.

Mr. MUIR (*Lisgar*): My information from that chap was that the regulations had been changed the other way, and the reason these people did not import second-hand machinery was because they did not inquire what the situation was. Up until the regulations were changed the farmers had cause for complaint and, about six months before this meeting, a lot of them had quit trying to import second-hand machinery but, had they inquired at the border, they would have found out the regulations had been changed the other way around, not up but down.

Mr. THIESSON: I should like to comment on that.

Mr. MUIR (*Lisgar*): That is the answer I got.

Mr. THIESSON: I read the evidence given by Mr. Magill before this committee, I think it was in July last, and he mentioned that it was done under a section of the tariff act which referred to a class or kind made in Canada. I think this is a general provision.

THE ACTING CHAIRMAN (*Mr. Forbes*): That is something new.

Mr. THIESSON: Does this definition apply to imported second-hand machinery?

THE ACTING CHAIRMAN (*Mr. Forbes*): It could.

Mr. THIESSON: May I comment on it in this way? I understand there is the farm implement industry in Canada and also the farm implement industry in the United States. From the evidence that was given, this industry is organized in such a way that part of certain lines of farm equipment is manufactured here and sold in Canada and America, and vice versa; and I was just wondering how it would be possible to apply a tariff on a second-hand machine if it was of a class or kind made in Canada. For example, certain lines of farm equipment which are manufactured in both Canada and the United States obviously could not have that apply to them, for instance, with one part being made in Canada and the other part being made in the States.

Mr. MUIR (*Lisgar*): I do not believe class or kind comes into it.

Mr. CLANCY: It does not affect this at all.

Mr. MUIR (*Lisgar*): It is other manufactured goods.

Mr. ARGUE: This is a dumping duty.

Mr. HORNER (*Acadia*): For farm machinery this is a dumping duty.

Mr. ARGUE: And it is not a tariff. It is the difference between the purchase price and the valuation put on by the official customs. It is no wonder the farmers stopped importing second-hand machinery.

Mr. MUIR (*Lisgar*): This customs man told me that if a fair price, a reasonable price, had been paid for the machinery in the States there would be no dumping duty applied.

Mr. ARGUE: Yes, but if the farmer had bought a cultivator for \$300 in the States, and if the customs officer said it was worth \$1,000, he would have the other \$700 to pay.

Mr. HORNER (*Acadia*): You have not bought any cultivators lately if you think you can buy them for that.

Mr. ARGUE: Second hand.

Mr. HORNER (*Acadia*): What size?

Mr. ARGUE: In this case it is what the customs officer decides.

THE ACTING CHAIRMAN (*Mr. Forbes*): Mr. Boulanger wants to catch a train, and wishes to make a statement before he goes.

Mr. MUIR (*Lisgar*): May I ask one more question?

Mr. BOULANGER: Go ahead.

Mr. SLOGAN: I have a comment to make on this tariff business.

THE ACTING CHAIRMAN (*Mr. Forbes*): We will let George go on.

Mr. MUIR (*Lisgar*): This is going to take a little time.

THE ACTING CHAIRMAN (*Mr. Forbes*): Then, all right; let Mr. Boulanger go ahead.

Mr. BOULANGER (*Interpretation*): I just want to put one question to the president of the national farmers union.

THE ACTING CHAIRMAN (*Mr. Forbes*): What page are you on?

Mr. BOULANGER (*Interpretation*): Page 24. I want to put one question. The recommendations you have made are largely similar to the one made in 1937. In paragraphs (c) and (d) you state that the price of agricultural machinery is excessive. I would ask you to tell me, if you can, on what basis these recommendations were made. Can any figures be provided in respect to the price of agricultural machinery and in respect to the special types of machinery?

Mr. THIESSON: First I would like to comment that in the opening part of paragraph 75 we are suggesting that we believe this committee will find many of the things that were found in 1937 and that are still found to be true today. With respect to the prices of farm machinery, the general price of these has increased or doubled in the last 20 years, that is the price to the farmer has doubled in the last 20 years. With respect to a specific farm implement, I would ask Mr. Usick and Mr. Tebbutt to comment on that. I think probably they can give us some examples of prices on combines and tractors that have rapidly increased.

Mr. USICK: Mr. Chairman, as I understood the question, it was dealing with special points in section 75, and section 75 is taken right out of the recommendations of 1937. If you say many of them still hold true, that is the answer to the specific question asked by Mr. Boulanger. If you want prices of farm machinery, these can be obtained. We have not got them right here. You can obtain them from the implement companies also.

Mr. BOULANGER (*Interpretation*): Up to this time we have been dealing mainly with the price of machinery of interest to the west. In the east we do not know about these things, and what we are really interested in is the actual price of machinery.

Mr. MUIR (*Lisgar*): Is it this book?

Mr. BOULANGER (*Interpretation*): Up to this time we have been dealing with combines and similar machinery for large-scale farming. In our end of the world we do not have large farms and I am particularly interested in the price of small machinery.

The ACTING CHAIRMAN (*Mr. Forbes*): That can be obtained from the machine agent.

Mr. MUIR (*Lisgar*): It is all right in here, small and large.

The ACTING CHAIRMAN (*Mr. Forbes*): Do you want to know the present price compared with ten years ago, or something like that?

Mr. BOULANGER (*Interpretation*): There is another point too. The prices of some types of machinery must have increased more than the prices of some others. That should be of interest also.

Mr. HORNER (*Acadia*): We have had evidence to that extent already.

Mr. MUIR (*Lisgar*): Is the farm union prepared to submit any specific proposals as to how farm machinery costs to the farmer can be reduced—first, to the manufacturer; second, in distribution and third, in upkeep or repair.

Mr. THIESSON: It would be necessary to consider this, in order to make intelligent proposals on the question that you have asked. This is not a simple question that you have asked me.

Mr. MUIR (*Lisgar*): This is what the committee needs from our farm people.

Mr. THIESSON: We have not got all the facts with respect to profit margins of farm machinery companies. For example, with respect to the costs of capital input in their plants, and with respect to labour costs, and this type of thing, we have not all the facts. We do not know to what extent, for example, administered prices play a part in the field of farm machinery. We are asking that the committee look into these things.

Perhaps after you have found these facts,—and we cannot just tell you here that you should apply the anti-combines law, because it has to be proven first, whether there is evidence of a combine existing. Perhaps at the level of price controls, there would be a logical conclusion, but we do not know. We do not know yet what the answers to all these questions are. I think that possibly to do that would be making a suggestion which might not have any foundation for being suggested.

What we are suggesting here is that the committee carefully look into the field of administrated prices. The United States Senate subcommittee has investigated the automobile industry. They found that administered prices do exist. This is in a minority report of that committee where it is suggested that the same holds true in respect to farm implements. The report is made by just one commissioner, by one senator.

But as the person who defined the term “administered prices” it is coming to be accepted. They are known in our modern society; but he admits himself that they do not know just what the full impact of administered prices is in terms of unemployment, and in terms of the balance of the economy. This is something we do not know either.

But after you have heard from the farm implement companies, I hope that you will get from them a picture of their pricing policies. Then it might be possible to come to some type of conclusion in this respect.

Dr. Means, the man I quoted as having defined the term “administered prices”, said that we do not know enough about how they actually operate to be able to make good national policy in the economic field, the inflation field, the employment field, and the enforcement of competition. We do not know what the factors are. We do not believe there is any real competition

between farm implement companies; though they compete in respect to sales they do not compete in respect to prices, and there is distinctly a difference between the two.

If there is no competition in price, then of course this means that the farmer does not have any real break in terms of the effect of administered prices in the farm machinery field.

The farm implement companies can pass down the price to the producer. On the other hand, the prices of farm products are determined according to the market price, and that is where you have a fluctuating level in prices.

The farmer has a competing price at one end, and a fluctuating price at the other end, and he reaps the disadvantages of both.

Mr. USICK: I would like to comment further upon Mr. Muir's question. I think we have passed recommendations that you could go on in this committee, to cover many things, and we make those suggestions with respect to farm machinery costs and services at pages 11, 12, and 13 of our brief. More particularly, one of them has to do with standardization of parts. For such things as V-belts, sprockets and shafts, bearings, tires, rims, and so on; and where there is no standardization between the companies, where the availability of parts is not readily made to the farmer, if it could be made more than a recommendation and made effective so that there was some real standardization of farm implements, this would be a real help at the production end of farm machinery.

Mr. HORNER (*Acadia*): One of the reasons for calling the farmers union before us first was so that we might be in a better position to ask the real reason for these increases. I think my question was supplementary to a question asked by another member in respect of farm implements coming in from across the border. We are aware that the prices have gone up 52½ per cent in the last twenty years and 50 per cent in the last ten years. What percentage of this increase do you attribute to the tariffs which might be imposed upon second-hand machinery coming in from across the border. In a sense this is the way I see it: we have to find out what has caused this 50 per cent increase.

Mr. THIESSON: I think those figures are on new machinery sales. I do not think second-hand machinery sales are involved in that.

Mr. HORNER (*Acadia*): What percentage of the cost of farm machinery would you attribute to this second-hand machinery coming in from across the border?

Mr. THIESSON: I do not know what volume comes across, and I do not know where the information is available.

Mr. HORNER (*Acadia*): In other words, it may play a large part or a relatively small part.

Mr. THIESSON: Frankly, I think it is relatively small in the total. However, there are other aspects of it. If this is based on the question of a dumping duty, my interpretation of a dumping duty today is that it is a duty applied when a commodity from another country is brought in at a price lower than that at which it would sell in that country. I do not know whether or not this is true in the case of farm machinery.

Mr. SOUTHAM: I questioned Dr. Magill of the Department of National Revenue on that, and I think you are right. I think the thought was that we have to protect our machine dealers in Canada. If by some chance a farmer had access to an agent with a surplus of second hand machinery he would probably get a better price. I do not have any evidence of this, but I have been told that a farmer can go across, pay a reasonable price for a piece of machinery, and have that agent give him an invoice marked away down. In

order to combat that type of practice we have to look into it to try to obtain a relatively comparative price of second hand machinery on one side of the border and the other side.

Mr. PASCOE: My questions have pretty well been asked. However, on page 23, Mr. Thiesson refers to isolated instances of high rates of duty on importations. Does that mean you think it is a very small problem.

Mr. THIESSON: In our province there have been some in Mr. Southam's area. They are only isolated in our experience. Mr. Usick says they have had more experience of this than we have.

Mr. PASCOE: If it were widespread and they could bring in new and used machinery duty free, what effect do you think that would have on the trade in respect of the value of the equipment the farmers in Canada have?

The CHAIRMAN: Mr. Gundlock—

Mr. PASCOE: The question was not answered.

Mr. THIESSON: I was thinking about it. It is hard to assess the effect it would have. Basically the effect at present is that a farmer is penalized in trying to keep his costs down because of this tariff provision. At the present time it is adding to the cost to any farmer who wants to bring farm machinery across. If there is not a duty on new machinery, it certainly would not seem reasonable there should be on second hand machinery.

What I mean is that it just is not consistent.

Mr. GUNDLOCK: Mr. Chairman, I am a little bit surprised that what I have to say has not come up before. I would like to have the union's ideas and comments, particularly in relation to price competition in connection with the amount of foreign machinery coming into this country. I am interested particularly in European machinery, because I think they are the main competitors to our Canadian and United States manufacturers. I would like to hear your comments in connection with the foreign imports, as it relates particularly to price competition. Also, you might comment on the matter of service and parts.

Mr. THIESSON: Mr. Chairman, one of the prime problems of importing foreign machinery has been always in the parts end of it. Actually, on total volume, the imports from countries other than the United States are not too large.

Mr. GUNDLOCK: I would like to hear your comments related to price competition. For instance, I understand that an English Ford tractor is noticeably cheaper. I would like to hear your comments in this connection as well as it relates to parts and service. As far as I have been able to find out, service and parts are just as readily available for European tractors as for Canadian ones.

Mr. USICK: That is not common, though. The European tractors and machinery do not have as many parts as the machines that are made in Canada and the United States. It may be true in some areas, but it certainly is not the general rule.

Another point is this: There is a great deal of this machinery which has to be adapted to the conditions within Canada, and the type of farming which takes place in Canada. Their machinery is adapted for a different type of agriculture. They might be cheaper, outside of the tractor—and even some of the tractors have to be changed in model or design, or gear ratio for adaptability here in Canada. This is one of their main weaknesses in selling implements here.

Mr. HORNER (*Acadia*): That is not the case in connection with their strawbaler behind a combine.

Mr. USICK: I am not trying to be specific.

Mr. GUNDLOCK: What I am trying to bring out is this: We heard this morning that some of the particular parts and service are not Canadian. It has been my experience that some of the European people service machines and supply parts even better than some of our Canadians.

Mr. TEBBUTT: Mr. Chairman, if I might comment on this question, as I come from the province of Ontario where we have perhaps a greater importation of foreign tractors from European countries and England, I do not think it is a matter in regard to parts and service, regardless of where the machine is manufactured.

The difficulty that we have run into our province, or various parts of it, is that the machinery dealer is perhaps forced out of business for one reason or another and the company that he represents has not got sufficient service to cover that area. That is where the supply of parts in the area comes in. Perhaps this is only in a short interval and in isolated areas, but it is one that is prevalent and it is one that must be considered. I do not think it applies any more to English tractors or European tractors than it does to Canadian or United States machines, but it is one thing that availability of parts does to some of the dealers that are forced out. For example, you have, in the county that I come from which has approximately 6,000 farmers, only one Massey dealer and one John Deere dealer. In the interval when this change was taking place, from the dealer in every hamlet to a dealer in a county there was certainly a shortage of service and a shortage in the availability of parts. Perhaps this is something that gets corrected as time goes on but it is worth mentioning.

Mr. GUNDLOCK: Is there a real price competition, even with the European lower-priced models?

Mr. TEBBUTT: I have never heard complaints with European tractors or with United States tractors.

Mr. FANE: Mr. Chairman, Mr. Thiesson made a remark a few minutes ago that there was no competition in the matter of prices between farm implement companies, but there was competition in their sales. Does he mean that the farm implement companies all get together and set the price of their machines as though it were a combine? Are all implement companies in effect acting as a combine, as you could infer, or did you mean something else?

Mr. THIESSON: I did not say it was a combine.

Mr. FANE: You did not say it; I am merely asking.

Mr. THIESSON: What I said was there did not appear to be any evidence that the main area of farm implement sales were made in terms of price. I think they compete for sales, but I do not see where they compete for price. They do not go around cutting one another's throats if they have a surplus of tractors, to try and get rid of them. I do not know whether this necessarily implies a price-fixing combine. This is perhaps the conclusion that the committee might come to after it has had farm implement companies before it. It has happened before, and I think we just recently had a case where there was evidence of combines between General Electric and Westinghouse, and these large electrical companies. It is not unusual, and I think we have had several combines in Canada within recent years. It is possible that it is also prevalent in farm machinery.

Mr. MUIR (*Lisgar*): Do you not think there is keen competition among the dealers of farm implements?

Mr. THIESSON: At the dealer level, yes; at the factory level, no.

Mr. HORNER (*Acadia*): Supplementary to that, in a sense, Mr. Thiesson, we had evidence before the committee that there is a great price competition at the dealer level. In a sense that would counteract your statement in the

brief which says that there is no effective competition in price matters. I would suggest—I do not want to defend the machinery companies, that is the last thing I want to do—but that happens even at the machine company level. I bought a tractor last June at such and such a price from such and such a company. I paid the price to the dealer and yet I got a refund of \$150 direct from the company head office for purchasing that tractor before the end of June. In a sense I would say this constitutes a certain type of price competition on the machine company level.

Mr. THIESSON: I would say that this is a competition for sales, but not a competition in price.

Mr. HORNER (*Acadia*): I welcome it.

Mr. THIESSON: Because in the unit cost of the farm implement this type of refund may have been provided.

Mr. HORNER (*Acadia*): If this was provided for, why then after a certain date in June was this no longer applicable?

Mr. THIESSON: It is possible that if you bought that machine in the fall, for example, or placed your order in the fall, it could be that the company brought this type of incentive forward in order that it could plan its plant production.

Mr. HORNER (*Acadia*): You still maintain it is not a price competition?

Mr. SLOGAN: Mr. Chairman, I have a supplementary point on farm machinery. We got away from it. All these complaints were being heard from the farmers when an anti-dumping duty was put in. As Mr. Argue stated, when the customs officials at the border evaluated the machinery the farmer knew he would have to pay the difference between what you have to pay and what they estimate the cost of machinery was. This dumping duty was never supposed to be aimed at the farmer but at the agents who were going across and bringing machinery over and reselling it at a profit in Canada. In my area, where we are going into potato growing a great deal and have to go down to pick up machinery, we can do that in North Dakota and Minnesota very cheaply. We had an instance on our farm where we had to do the same thing. However, I complained about that and so did other members; and at the present time where farmers go to the United States and buy machinery, they bring it to the border and declare the value of that machinery. It is usually supported by receipts from the dealer, and that machinery has to be left over at the declared price. There is no duty paid. That price is sent into Ottawa and they evaluate it here, and if they feel it is ridiculously low they can still assess the farmer. Since that has been brought in, those complaints have no longer been heard because this duty was aimed primarily at the agents and not at the farmer. I think that when they review it here they generally give the farmer credit.

Mr. MUIR (*Lisgar*): I would like to make a comment on that last suggestion. Since Mr. Usick brought this up when I was speaking of this very thing in regard to bringing new machinery across the line, can he proceed?

Mr. GUNDLOCK: Mr. Chairman, this is not a new business but I think Mr. Tebbutt has one more comment. Would it be in order to hear him?

Mr. TEBBUTT: With regard to foreign machinery companies, this was your price competition question?

Mr. GUNDLOCK: I thought you had something else to say when we stopped.

Mr. TEBBUTT: It is immaterial whether it would be in the records or not, but for the information of the committee members I would say that in our area in Ontario and various areas in the province the only real competition that I can see piecewise is between European and American tractors.

Mr. GUNDLOCK: Not between European and Canadian?

Mr. TEBBUTT: I doubt it. There are very few tractors manufactured in Canada.

Mr. THIESSON: If I might comment on the import question, I think the extent to which imports are successful would be reflected in the volume of imports brought in, and for one reason or another if a farmer is not buying it does not really matter. Obviously there is some reason why they are not favouring it, but I received yesterday morning from the dominion bureau of statistics the imports into Canada of tractors for 1960. There were 29,011 imports, and of these 21,851 were imported from the United States. The largest other foreign importer was the United Kingdom with 6,426, with smaller quantities from France, Germany, Italy, Sweden and Japan. In other lines of farm machinery it is much less than that.

Mr. MUIR (*Lisgar*): I would like to comment on what Mr. Slogan said in regard to importation of used machinery. I had made the statement that a year ago I had contacted the man at the border and he gave me exactly the same information as Mr. Slogan has given. The reason I bring it up is because Mr. Usick made a comment that he did not think this statement was correct and that it particularly applied to my area, where you had more complaints than from other areas of the province. I do know that this statement I made was correct, that the machinery was allowed to be brought in at the price the farmer paid for it across the line.

As Mr. Slogan said, it was sent to Ottawa; if it was found to be reasonable there was no duty paid on it, but if there was found to be skullduggery—which is a word I have used before—in the transaction, and that it had been lowered for duty purposes for bringing it across the line, then, of course, an adjustment was made in Ottawa.

I think Mr. Slogan has substantially backed me up in regard to this.

Mr. KORCHINSKI: In regard to what Mr. Jack Horner has been saying, and in all fairness so that people may not go away with the wrong impression, may I say I understand that for example, a Cockshutt dealer back home last year, after the combines season was over, was offering special deals in this equipment. I have also seen special deals in tractors at certain times. I have seen drills offered after the normal sowing season. I do not know whether you could get the information, Mr. Thiesson, but this is actually happening back home, so I would just like to keep the record straight on that.

Mr. THIESSON: I am not sure that you are referring to competition in price.

Mr. KORCHINSKI: That was handed down from the company to the dealer.

Mr. THIESSON: I think it is competition in sales. I believe that if you examine this facet closely you will find that this is in fact competition in sales and not in price.

Mr. KORCHINSKI: How can you distinguish one from the other, if it comes from the factory?

Mr. THIESSON: I will not comment any further, as there are authorities in the back of this room who know more than I do.

Mr. KORCHINSKI: This point was brought up at the time. It is just a comment.

Mr. HORNER (*Acadia*): Is it not a fact that last year the Cockshutt Farm Implement Company came out with the idea direct from head office that they would sell you a machine, and you would not have to pay for it at the time. You could take possession of it immediately, and not pay for it until six or

seven months hence. In other words you are getting the use of that money interest free for six months. This competition led to competition with the other companies; it induced other companies to do the same thing. Is this not a fact, or are you aware of it?

Mr. THIESSON: Yes, I am aware of it. I think it is a mirage.

The ACTING CHAIRMAN (*Mr. Forbes*): Are there any further questions?

Mr. SLOGAN: We have been talking a lot about what everybody else could do. I wonder if Mr. Thiesson could tell us what he believes his own organization could do, with their membership, in the matter of interest and prices on farm machinery. There is definitely a role to play, and I am sure that the farm unions could play it. I wonder if the farm unions are prepared to do so?

Mr. THIESSON: It would be in the field of education, and we are working in this direction. For example, this winter we have taken a pretty close look at the set-up in the co-operative federee in Quebec, to which we make reference in our brief. We find that some of the methods employed by them are possibly more effective than is the case with the C.C.I.L. in the three prairie provinces. It is a matter requiring some re-organization within the industry, that is, within the C.C.I.L. We cannot order them to do it, but we can form a type of public opinion on it that might cause them to move in that direction.

Mr. SLOGAN: Have you tried in any way through your organization to work on behalf of the C.C.I.L. with a view to promoting it among the farmers?

Mr. THIESSON: Yes, we have.

Mr. SLOGAN: Do you feel you have done as much as you could do in that respect?

Mr. THIESSON: No, I would not say that we have.

Mr. HORNER (*Acadia*): Would you care to compare the Quebec federee or co-operative with the C.C.I.L.? You use two per cent for the C.C.I.L. and 20 per cent for the province of Quebec. Have you any idea what this 20 per cent means across Canada in total sales?

Mr. THIESSON: I was using those two instances because the C.C.I.L. operates only in the three prairie provinces.

Mr. HORNER (*Acadia*): I see; I did not know it.

Mr. THIESSON: While the federee operates only in the province of Quebec.

Mr. HORNER (*Acadia*): Was this two per cent only on sales in the three prairie provinces?

Mr. THIESSON: That is correct.

Mr. CLERMONT: And the 20 per cent comes out of the sales in the province of Quebec?

Mr. THIESSON: There is a basic difference there which probably makes a large difference between the two. You have Cockshutt dealers in the three prairie provinces, and you have the C.C.I.L. selling the same products. Quebec has organized its implement agencies very wisely, in that there are exclusive distributors for all Quebec, and they do not compete against other agents.

Mr. HORNER (*Acadia*): The co-op in the province of Quebec sells, or is paralleled along the lines of suggested list prices, and then it gives a rebate to the purchaser.

Mr. THIESSON: That is right.

Mr. HORNER (*Acadia*): Does the Quebec co-operative sell all their equipment under the same line, or do they enter into something else?

Mr. THIESSON: The Quebec federation has agencies set up through the local co-operative associations. The co-operative federee, I should explain, is a producer organization. It is not comparable to the federated co-operatives

in the prairie provinces, which are consumer organizations. But it sets up its dealership through the local co-operative associations. In some instances where it has no co-operative outlets, or where the co-operative outlet does not wish to take on farm machinery sales, they have set up private people to sell co-operative farm machinery.

Mr. HORNER (*Acadia*): Could you tell us how their sales actually are administered, whether or not they give a rebate to the purchaser, or give a cut price to start with, and work on a lower margin?

Mr. THIESSON: I had a report on it, but I am speaking from memory now. I believe they allow the local association 25 per cent on the list price of the machinery. There are certain discounts for purchases during certain periods of the year which they allow.

Mr. HORNER (*Acadia*): And they would pay a dividend?

Mr. THIESSON: They would pay a dividend to the local association; it is a small one. The local association, in turn, may pay a dividend to the customer.

Mr. WEBB: I do not believe I have any questions, but I quite agree it is not the dealer who is making the money which is causing our troubles.

Mr. THIESSON: There is a unique thing about the cooperative federee in Quebec. They have placed emphasis, in their farm distribution system, on providing a service to the farmer. I understand there is no farm implement act in the province which demands that a company maintain repair stocks for a number of years. They, however, are trying to provide this service to their customers. I think they have gone a long way in doing this.

Mr. SLOGAN: I would like to express the same criticism of this brief which has been expressed by Mr. Argue and others; that is, you have not really given us something to work with in here, other than the problem. May I make the suggestion that in future when you are preparing briefs that you give us some comprehensive leads as to what you think the government and you yourselves could do. You are an important segment of the economy and I think you should be prepared to play your part, as well as expecting everybody else to play theirs.

Mr. RAPP: Mr. Chairman, I cannot agree with Mr. Slogan. I think the brief has gone into this matter in great detail. Some of the recommendations are very good indeed. Of course, sometimes they had to make their statements in general terms, but generally speaking I think the recommendations they have brought before this committee are commendable. I am sorry I must disagree with you, Mr. Slogan.

Mr. KORCHINSKI: I am wondering what your organization would say if a trend developed where machine companies had machine rentals available.

Mr. THIESSON: That is mentioned in the brief. I do not believe you were here this morning when it was mentioned. A bulletin reached my desk before I left about rental rates in the United States. This may be of interest to you. This is in the April issue of the *IFAP News*. It says:

Farmers are renting everything from small tools to heavy tractors. Some U.S. economists suggest a farmer can afford to pay up to 20 per cent of the purchase price of new equipment every year in rentals and still be economically ahead. Here are some nationally suggested rental rates:

For one week, 5 per cent of the new purchase price.

For one month, 15 per cent.

For two months, 25 per cent.

For three months, 33½ per cent.

Mr. HORNER (*Acadia*): Wow! That is pretty steep.

Mr. THIESSON: I checked these rates and they were quoted by a man by the name of Paul M. Mulliken of the national retail farm equipment association.

Mr. KORCHINSKI: Is that on a rental purchase agreement or straight rental?

Mr. THIESSON: Straight rental.

Mr. PASCOE: This is a general comment on the whole brief. On page 1 there is the statement that the national farmers union welcomes this opportunity of presenting the views of the organized farm movement. Then it goes on to say: "Our members are vitally affected by all cost factors". There is very little in the brief in respect of what they consider the cost factors. At another meeting I referred to the questionnaires which I and other members sent out and in nearly every case the farmer, when asked about the important factors which he considered contributed to the prices of farm machinery, replied that it was the excessive profits to the manufacturers. Also, there is no indication in this brief as to what the farmers thought of your questionnaire.

Mr. THIESSON: Probably we did not ask this in the same way as you did.

We do say that farm machinery prices are too high. However, there are other factors in the economy which could lead a farmer to this conclusion; that is, if you have volume farm prices, for example, or unstable farm prices, and if machine prices stood at the same level while farm prices continued to go down, machinery prices would be too high, in terms of the purchasing power of farm production. With respect to labour costs we have not mentioned it for specific reasons. The Canadian labour congress is going to appear before this committee at a later date.

Mr. PASCOE: The point I am trying to get at is this: Did you ask specific questions? Also to how many farmers did you send out your questionnaire?

Mr. THIESSON: We sent it out to our locals. If you wish, I could read the questions that were asked. They are as follows: "What problems do you feel affect you most in the operation of farm machinery?" Then they gave, in order of incidence, that "the prices were too high". This could mean that the level of farm machinery prices were too high. Also, it could mean that the prices are too high in so far as the implement companies are concerned, or that farm prices are too low for them to buy machinery at the price levels requested. Another was "availability of parts" and "poor local service", as well as "poor construction". Then there were several other isolated examples of having to buy unit assemblies and this type of thing.

The second question reads: "Give any specific examples you have with respect to any of the above problems." They gave a number of examples. Some of them have been summarized. Some of them were valid and some were not.

The third question was: "What recommendations would you make with respect to farm machinery that would improve the position of the farmer?" These all have been incorporated in here, and they include such things as "standardization", "lower prices and tariffs", "sometimes repairs will not fit, although they have the same number", and so on. I could file this, if it is the wish of the committee that I do so.

The ACTING CHAIRMAN (*Mr. Forbes*): Is it the wish of the members of this committee to have this incorporated?

Some hon. MEMBERS: Agreed.

The ACTING CHAIRMAN (*Mr. Forbes*): Have you a question, Mr. Henderson?

Mr. HENDERSON: I have just a few words to say, Mr. Chairman, and it is in connection with trade-ins. Trade-ins are the curse of the machinery business. I come from the Peace River country. The farmers in that area are

very prosperous. The big outfits up there which handle farm machinery are the Case and the John Deere people. A farmer comes into town to buy a new tractor. He immediately starts to dicker, and there is competition in so far as the trade-ins is concerned. There was one farmer there with a small tractor on his land who said: "the dealer came out and dumped it here and said 'if you can use it, pay for it, and if you cannot, bring it back' ". That went all over the district. Then, my boy went down to the Panhandle in Texas and, after seeing things there, said that the best looking farm machinery he had seen was in the Peace River country. He never saw the likes of it through Missouri and all the way down. Keeping up with the Joneses is what is making things expensive.

Mr. THIESSON: I should like to comment further on Mr. Pascoe's statement about labour costs. As I have said, the Canadian labour congress will be appearing before this committee. Recently, they put out a pamphlet claiming that labour prices are not the main thing.

Mr. PASCOE: Do you agree with that?

Mr. THIESSON: Not entirely. I do not say they are the only thing, but I do think that possibly you will find labour costs have gone up over a period of years. It all depends on how you measure it. Just before coming to this committee I got a publication from the American assembly, Columbia university, on "wages, prices, profits and productivity". I have not yet had a chance to read it fully but, in its conclusions, it says this:

The advice is frequently given that wage increases should be based on gains in output per man-hour for the economy as a whole.

For example, the economic report of the president—

This would be the president of the United States

—of January, 1959 states, "increases in money wages and other compensation not justified by the productivity performance of the economy are inevitably inflationary."

The advice that wage increases should be based on gains in productivity for the whole economy, like much sage-sounding advice, is far easier to give than to take. The difficulties in applying it to any particular situation must be as apparent to those who have tried to follow it in wage determination as they are to those who have tried to construct accurate measures of productivity and wages. One trouble with the advice is that it concerns broad averages, and there may be sound reasons why any particular situation should deviate from the average in one direction or another. An important class of such reasons is shortages or surpluses of labour in particular industries or occupations.

The ACTING CHAIRMAN (*Mr. Forbes*): Mr. Webb is the next to speak.

Mr. WEBB: You were speaking about the questionnaire which you sent to the farmers. I was covering my area and I sent out a goodly number to which I received a sheaf of replies. I discussed this matter with one of the witnesses during the noon recess, and over 98 per cent of the farmers who replied put down as their first cause, the high cost of labour and the unions not knowing where to draw the line. This morning I was sitting beside Mr. Forgie, who represents Renfrew North, and he has received a greater number of replies than I did and his percentage was about the same. In the farmers' opinion it is due to labour costs and the unions.

Mr. THIESSON: It may have been a leading question that was asked.

Mr. WEBB: No, it was not. I shall show you a copy of the questionnaire.

Mr. FANE: I think we had hundreds of them all saying the same thing.

Mr. HORNER (*Acadia*): I want to ask one more question but I do not wish to prolong the meeting. On page 24 of your brief, conclusions and recommendations, (D), you suggest that the financial position of the companies has been absolutely too good to your line of thinking. This is just paraphrasing your clause.

Have you any evidence to back this up? This is what the dealer tells me, that they had to amalgamate to stay in business.

Mr. HENDERSON: They had to start all over again.

Mr. HORNER (*Acadia*): Have you any figures to support that?

Mr. THIESSON: This conclusion is taken from the hearings of 1937. We say that we believe that many of the findings of this committee may still hold true today.

Mr. HORNER (*Acadia*): You do not have any figures to support that belief? Twenty-three years have gone by.

Mr. THIESSON: That is right, but you have had tremendous reorganization within the farm implement industry. Examine, for example, the comparative farm implement sales in 1937 and 1959. There is no comparison there.

Mr. KORCHINSKI: What would a fair profit be?

Mr. THIESSON: This, of course, is going to be one of your problems, what the fair profit is.

The ACTING CHAIRMAN (*Mr. Forbes*): I wish to thank members of the committee for their cooperation, and to express the appreciation of the committee to the witnesses this afternoon.

APPENDIX "A"

INDEX NUMBERS OF FARM PRICES OF AGRICULTURAL PRODUCTS (1)

(1935-39=100)

	CANADA	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
1950	260.8	189.6	206.5	216.8	260.9	265.1	274.4	251.5	276.2	244.3
1951	296.8	236.4	243.2	250.8	305.6	315.0	301.6	268.7	308.0	287.1
1952	274.4	351.6	275.1	344.5	290.2	286.2	266.8	245.9	265.3	291.4
1953	250.4	191.5	234.8	213.2	272.1	263.8	245.3	208.7	247.8	249.6
1954	236.8	196.1	230.2	211.8	264.3	252.8	227.5	208.7	232.4	248.5
1955	232.7	220.6	230.0	226.0	261.7	249.2	225.6	203.5	223.2	248.5
1956	234.6	240.1	208.7	235.1	258.8	250.5	227.0	208.5	224.0	256.9
1957	234.2	197.0	212.6	219.4	264.8	255.4	222.4	201.6	223.6	260.2
1958	245.5	203.4	216.8	227.0	274.8	266.5	236.6	214.5	236.4	263.2
1959	246.6	239.9	237.9	294.7	274.3	264.8	238.8	210.9	233.2	261.3
August	245.1	237.1	231.9	237.4	271.7	265.2	228.9	207.8	226.8	270.2
September	241.7	230.7	228.1	232.9	271.0	265.2	228.9	203.7	221.3	269.8
October	239.9	241.6	227.1	240.3	268.0	266.9	225.6	201.5	215.3	265.7
November	236.9	232.5	222.8	238.3	268.1	263.2	225.9	201.5	215.3	265.7
December	245.2	232.7	227.3	239.5	272.4	264.2	237.3	213.9	235.3	265.3
AVERAGE										
1960										
January	235.7	262.7	230.6	257.2	267.7	261.0	222.2	199.0	213.0	263.6
February	232.5	251.4	230.6	259.5	268.2	255.9	220.1	196.5	208.7	260.2
March	232.7	263.0	232.8	269.4	265.4	253.4	221.6	198.3	209.8	265.8
April	239.7	321.4	246.3	309.2	272.5	260.3	225.6	203.1	214.5	268.2
May	241.3	337.6	254.1	317.7	274.8	262.5	225.3	202.0	216.6	269.8
June	245.4	341.0	259.9	317.5	278.2	268.2	231.4	204.3	221.3	273.7
July	247.1	308.6	256.2	302.5	278.0	272.9	238.4	206.4	223.3	272.2
August	236.3	216.5	221.8	220.5	269.5	266.7	222.0	195.6	215.8	271.1
September	239.8	217.2	228.9	219.8	271.4	268.3	223.4	200.9	222.1	277.8
October	240.1	220.2	229.5	232.9	276.0	268.3	223.4	201.1	218.2	278.3
November	239.8	218.1	228.9	237.8	272.4	269.1	223.9	199.6	219.6	277.2
December	242.4	219.4	223.8	231.7	277.6	272.5	227.0	202.7	220.9	276.4
AVERAGE	239.4	264.8	237.0	264.6	272.6	265.0	224.5	200.8	217.0	271.2
1961										
January	243.6	218.5	222.2	235.3	281.1	272.8	227.5	203.4	223.4	277.8

(1) Excludes Newfoundland.

APPENDIX "B"

Summary Farm Machinery Questionnaires

Dist.	Local	Dist.	Local
1	South-West Estevan	11	Kingsland
1	Glenwood	11	Bickleigh
1	Oxbow	11	Smiley
1	North Estevan	12	Needwood
1	North Weyburn	12	Reford
1	Marmora	12	Cavell
2	Assiniboia	12	Queenston
2	Avonlea	13	Creekview
2	Lafleche	13	Cory
3	Milly	13	Elstow
3	Stone	13	Blucher
4	Lemsford-Protreeve	13	Rapid Advance
4	Antelope	13	Perdue
5	Vanguard	13	Arelee
5	Keeler	14	Daphne
6	Glenn Lynn	14	Petaigan
7	Windthorst	14	Pipestone Creek
7	Northwood	14	Valparaiso
7	Moosomin	14	Nora
7	Grenfell	15	East Prince Albert
8	Poplar Point	15	Red Deer Hill
8	Calder	16	Halcyonia
9	Crosssthaite	16	Big Gully
9	East Lynn	16	Sewton-Tebo Corner
9	Raymore	17	Sun Valley
10	Loreburn	There were two additional questionnaires who did not give the name of local.	
10	Wheat Plains		
10	Maple Dale		

Question No. 1

What problems do you feel affect you most in the operation of farm machinery?

- (a) Prices too high? 56
- (b) Poor local service? 29
- (c) Availability of parts? 41
- (d) Poor construction 28 (There were a few reservations here . . . poor construction in some things, not all)
- (e) Others:
 - Variations in price on accessories
 - Companies change their models so often it is impossible to give service or carry repairs.
 - Forced to buy too much to get one small part.
 - Poor transportation of parts.
 - Too many extras, very handy but too costly.
 - Poor service beyond local. Distributing points not adequately stocked. (2)
 - Repairs too expensive, down to bolts.
 - Poor warranty and manufacturer can't even stand up to this warranty. (2)
 - Poor shipping service (carelessness in handling)

Inferior material in cast.

New type tractor seat may not be as safe as old low type.

Not enough research and field testing before being put out for sale.

Trend toward fewer service centers must be stopped.

Farmers still regard local home-town agent as indispensable.

Wholesale repair companies depend on local dealers far too much to stock repairs that will be needed.

Poor assembling (3)

Some unnecessary changes, compelling new repairs for each year model, where second-hand repairs could be used.

Dealers cannot be expected to stock parts for all models of machinery now on market. Too many models.

Complicated parts for machinery, which are beyond ordinary farmer and his equipment to repair.

Question No. 2

Give any specific examples you have with respect to any of the above problems.

Oil filters too high.

Agent sold tractor and wouldn't go out to service it.

Forced to get machinery administration to get parts.

Had to go out of district to get some parts, and out of Canada to get others. (4)

Parts not available for fingers for auger of combine.

Screens not available.

Late model cars even held up because trunks, etc., not available.

Clutch parts not available in Canada or U.S. for tractors

Prices too high in comparison to prices of grain.

One person tried to get a diesel tractor operating properly for two full years.

One company went from the 80 series one year, then 820, 830, and now a complete change. This is true of nearly all makers.

Tractor 1½ years old held up for parts for three weeks. Break due to poor construction.

Prices never stop going up.

Dealers are more interested in selling new stock than servicing the old.

One gear ordered for tractor in July; finally this gear was obtained from a wrecking company in October. (Original order arrived at same time, but was returned).

Repairs for a new side valve purchased in July ordered in July not received yet.

Hydraulic pump on combine broke and 10 days good combining were lost.

Feeder chain drive on same make of combine took three months for repairs.

If parts were standardized so that such things as V belts, sprockets, shafts, could be used on different machines, the dealer wouldn't have to have such a big stock of parts on hand.

On a tractor only a small part was needed on the governor, and a complete unit had to be purchased. Numerous similar cases were discussed.

A neighbour bought a new combine this fall and soon after use broke a shaft. He waited all fall for the necessary repair and I believe still is. If he had been wholly dependent on that combine he would have lost his entire crop because of unavailability of parts and poor local service.

- A transmission broke down on a tractor at seeding time. Required a new gear. Finally found gear, but not the burr. Burr had to be ordered from Saskatoon. Took 2 weeks to get it, and when it did come it was the wrong one. Came with a fine thread, should have been coarse thread. Farmer then had to rely on his neighbours to get his crop in.
- Axle for one make of combine not available at Raymore, Ituna, Lipton and Regina this fall. Guards for another combine and swather could not be got in Regina.
- Distributing centers don't always have parts available and farmers are forced to wait for parts for 2 or 3 weeks or more at critical times.
- One farmer ordered a new carrier chain in May and did not receive it in time for harvest.
- Excessive pressure by hydraulic pump for type (strength) of hose supplied. Result—burst hoses.
- Although we realize there are certain taxes left off agricultural machinery, the prices are still too high for our current rate of income.
- On a diesel tractor, the housing cut out. Needle bearings got into cam gears and bent cam shaft. Had to replace timing gears, rod bearings, crank shaft, cam shaft, all pumps and repair fuel pump. Nine weeks hold-up due to repairs not being available.
- Local farmer bought new tractor June 1960. Hitch, hydraulic controls, etc., were not available at that time. Engine not completed until October 27.
- Farmer could not get baler repairs until season was over—had to hire all baling done.
- Repairs not available in harvest time, e.g., combine teeth, swather knives and canvasses, chain links for baler. These implements were not more than four years old.
- Farmer had a tractor tied up for three months waiting for parts.
- Combine \$9000—nearly as much as a half-section. Pull type combine—no motor—\$4700.
- Spool on hydraulic 1953-4 tractor—back-ordered at least 3 months—man using tractor—hydraulic oil leaking.
- Needed gear for tractor—no parts in western Canada.
- No parts available for immediate delivery.
- A baler part took 3 weeks to come so hay that was laying out lost a lot of quality.
- Most companies have only one branch house or repair depot in a province, and local dealers can't possibly have all repairs, so you are forced to make trips for repairs as far as 2 to 3 hundred miles, especially in combining seasons when you can't wait for any length of time.
- Hard to get service men.
- Oil pan leaked the first half day on new combine. Did 150 acres and the drive wheel housing and bearing went.
- Bought a diesel tractor—never worked properly. Uses too much fuel and no service in this town.
- Pool welding on many farm implements—(at least 2)
- Trade-in prices on new machines out of line. Trade-in of $\frac{1}{2}$ ton truck on a new truck was allowed \$1100 off price of new truck—was later sold for \$375. On a deal for a new combine, and 1950 was taken as a trade-in and allowed \$2200. Besides this, the originally quoted price was dropped \$1800.
- Prices of repair parts is inconsistent between dealers, although everyone goes to their price book. Farmer purchased set of pick-up teeth for combine in Birch Hills for half the price of a set he purchased in Prince Albert.

Bearings, belts and chains can be obtained from independent jobbers for a fraction of the price asked by company dealers, e.g., a dealer asked \$2.40 for a bearing, and jobber charged 60¢ for same bearing.

Poor local service: When part isn't available in P.A., dealer says he will phone Saskatoon and charges customer for the phone call. After he has had 3 or 4 farmers pay phone charges he calls Saskatoon and orders everyone's repairs in one call.

Poor service—won't take back a repair part when asked to.

Farmer had a wheel on tractor governor go. When he asked dealer for it was told he must buy entire assembly. When he asked why there was a number on the part and decided to order elsewhere himself, they found needed part in stock, accidentally.

Too much time lost waiting for parts that must be ordered. Dealers do not stock an adequate supply and then only order one at a time.

Labor charges on assembling parts is too high and is often done by unskilled labor and not done properly.

Price quoted before ordering is upped after part arrives.

Availability of parts: Many farmers travel many miles to smaller points to obtain parts they can't get in Prince Albert. Parts are also cheaper in Smeaton and Birch Hills than in Prince Albert, even though they pay extra express rates.

Some makes of machinery, e.g., sprayers, were made and sold and after three or four years they disappeared and parts are not available.

We do not think we should have to pay both freight and phone charges on repairs.

We feel that with transportation as efficient as it is today, repairs should be available within 24 hours.

One farmer has tractor in shop in town for 30 days, waiting for small repair. Reason given: company taking stock in warehouses and not sending out parts.

Closing out of local dealers is big problem, making farmers travel long distances for parts. (2)

Trouble in power steering which gave out during harvest. Parts were slow in arriving. Time lost over three weeks in harvest.

Machine agencies are forcing farmers to buy new machines they can't afford to buy.

Question No. 3

What recommendations would you make with respect to farm machinery that would improve the position of the farmer? (such as standardization of parts, being able to buy assembly parts, etc.)

Parts too varied for models of certain machines. Shipments of new machines often found upon arrival to be minus parts, etc.

Standardization of parts. (38)

- Some specified certain parts that should be standardized.
- Several said similar parts on different makes should be standardized.
- Some recommended interchange of parts.

All machinery should be tested by an independent agency.

There should be fewer models.

Parts should be available in Saskatchewan (Regina). Farmers don't mind waiting a few hours for them to come down.

Standard wheels would help.

Makers should not keep changing models. Then they wouldn't have to retool nearly as often. The local dealers wouldn't need to carry such a large stock. (8)

- Should not be obliged to buy whole assemblies when only one part is required. (10)
- Lower prices and tariffs.
- Sometimes repairs will not fit although they have the same number.
- Oil filters should be standardized.
- Different companies sell same piece for different price, and quality isn't standardized either.
- For better local service the manufacturer should supply the dealers with the necessary parts on consignment. The waiting period is way too long to wait for parts.
- Do away with blockman's 10% on all sales.
- Prices should be standardized on new machinery and parts.
- Should be able to buy assembly parts with idea of building own machines. (for those who are handy with torch and welder)
- Suggested that all machine companies amalgamate and build only one line of tractors and other farm machinery. Machines built to work as they should under actual farm conditions before being released for sale.
- We believe that a machine, for example a combine, should not have more than possibly 3 or 4 different bearings or bushings and if used by most companies, they could be interchangeable and these 3 or 4 bearings to be used on balers, mowers, forage harvesters, and other implements also.
- The companies haven't enough trained mechanics to service the machines they sell.
- A farmer should have a machine on a 30-day trial.
- Extend credit to dealers so that stocks may be kept on hand and complete.
- Retooling and testing of new models increases prices of machinery needlessly, and farmer pays.
- Cut out the dealers, salesmen, blockmen, etc.
- Eliminate charge of phone-call re machinery to customer.

Question No. 4

Other comments and/or examples:

- Too far between dealers in some cases. Limited supply of parts, i.e., a lot of parts must be ordered from Regina which is 125 miles or more and means 2 or more days' delay.
- Implement companies should be forced to supply agents with repairs on consignment.
- Streamlining not necessary and extra expense on labor at service time.
- Tractor series changed too often.
- It is particularly considered important to farmers that adequate repair supplies be kept on hand in harvest time, when every nice day counts.
- The enquiry should investigate activities of Sask. Agric. Mach. Adm., and its work on testing machinery on service and repairs, etc. This board could be enlarged and is doing valuable work.
- Examples of farmers forced to buy another combine because parts were unavailable for the one they had.
- Responsibility for parts of manufacturer should be extended from ten years to twenty years. Tractors should be equipped with magnetos.
- Canadian industries are unreasonably competitive and don't have to be because of the ridiculously high tariffs imposed on us to protect them. It's also causing an unbalanced trade with the wrong countries.

- Machinery costs have risen out of all proportion to the ability of the ordinary farmer to purchase.
- Cost of the equipment is preventing lots of young farmers from getting started, also hampering established farmers of ameliorating their position.
- Tractors should have a working speed of 4 to 4½ miles per hour. Lots of tractors do not have a gear in this range.
- Have to wait too long for repairs. Branch houses and depots do not keep an adequate supply of parts on hand to serve the dealers.
- If the manufacturers would concentrate on quality rather than quantity the problem of parts would not be so acute.
- Machinery construction can be approved a lot for better performance and safety. The warranty period on haying, harvesting and seeding machinery should be based on about 600 working hours, or three years, whichever occurs first, rather than the 12-month period from date of purchase.
- We suggest that the farmer be able to deal directly with the company instead of with the individual dealers.
- We think dealers should stock more parts. Suggest company supply dealers with repair parts so dealers would not have to buy parts themselves.
- Since the value of sealed bearings is still in question, we believe the purchaser should have the option of choosing between a machine equipped with sealed bearings and one equipped with conventional grease bearings.
- More and better qualified service men.
- There were complaints that machine companies do not keep in close enough contact with their products to know their weaknesses. It is practically impossible to get service men and dealers to check new machines.
- Implement companies need to work for improvements and corrections on models continually but why the necessity for new models annually, the overhead cost of which results in exorbitant costs to the users?
- Have parts more readily available is the greatest complaint, and reduce prices of parts and machinery. Better distribution of parts needed as well.
- The parts service is lousy. The back-order deal is something which needs to be looked into. The men here feel that the dealers are using the term "back-order" to their own advantage, not really caring how the farmer is feeling in the pinch.
- If parts were stocked in a central point where they could be ordered and received faster, service would be improved.
- More use of AMA results by farmers.
- PTO speeds should not change till all machines are standardized to receive it.
- One member gave examples of prices—a bill hook for a binder knotter used to cost about \$2. This fall he paid \$8. A table canvas for the same machine used to cost \$10. New price \$26.
- "Suggested retail price" gives dealer too much leeway in price setting. Suggest a set single price, province-wide for each repair, etc.
- Bearing or pulley on one company's swather are not sold separately.
- Habit of machine companies of adding 10% to old stock as machine parts go up in price.
- Parts duplicated in new model machines not to be different numbers and prices from previous models.

HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61

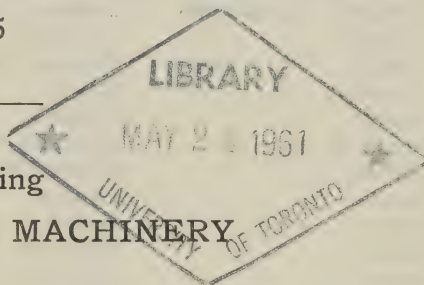
STANDING COMMITTEE
ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 5

Respecting
PRICES OF FARM MACHINERY



MONDAY, MAY 1, 1961

WITNESSES:

From Massey-Ferguson Limited: Messrs. T. J. Emmert, Vice-President; W. J. Forsyth, General Sales Manager; N. H. Penney, Comptroller; D. W. H. Denton, Director, Personnel and Industrial Relations; J. G. Kingsmill, Assistant Comptroller; L. J. Child, General Traffic Manager; R. M. Snelgrove, General Attorney; H. L. Hickey, General Public Relations Manager; J. A. Alexander, Manager, Field Services.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.

and Messrs.

Argue	Hales	Noble
Badanai	Hardie	Pascoe
Belzile	Henderson	Peters
Boulanger	Hicks	Phillips
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Racine
Campbell (<i>Lambton-Kent</i>)	Horner (<i>The Battle-fords</i>)	Rapp
Clancy	Horner (<i>Jasper-Edson</i>)	Regnier
Clermont	Howe	Ricard
Cooper	Kindt	Rogers
Danforth	Knowles	Rompere
Doucett	Korchinski	Smith (<i>Lincoln</i>)
Drouin	Latour	Southam
Dubois	Leduc	Stefanson
Dupuis	McIntosh	Tardif
Fane	Michaud	Thomas
Forbes	Milligan	Thompson
Forgie	Montgomery	Tucker
Godin	Muir (<i>Lisgar</i>)	Villeneuve
Gundlock	Nasserden	Webb—60.

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

ORDER OF REFERENCE

FRIDAY, April 28, 1961.

Ordered,—That the name of Mr. Horner (The Battlefords) be substituted for that of Mr. Slogan on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND
Clerk of the House.

MINUTES OF PROCEEDINGS

MONDAY, May 1, 1961.
(8)

The Standing Committee on Agriculture and Colonization met at 9.35 a.m. this day.

The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Badanai, Campbell (*Lambton-Kent*), Clancy, Clermont, Cooper, Danforth, Fane, Gundlock, Hales, Henderson, Hicks, Horner (*Acadia*), Horner (*Jasper-Edson*), Horner (*The Battlefords*), Howe, Knowles, Korchinski, McBain, Milligan, Muir (*Lisgar*), Nasserden, Noble, Pascoe, Peters, Phillips, Rapp, Regnier, Rogers, Smallwood, Southam, Stefanson, Tardif, Thomas, Tucker and Webb.—(35)

In attendance: From Massey-Ferguson Limited: Messrs. T. J. Emmert, Vice-President, North American Operations; W. J. Forsyth, General Sales Manager—Canada; N. H. Penney, Comptroller, D. W. H. Denton, Director, Personnel and Industrial Relations; J. G. Kingsmill, Assistant Comptroller—Financial Analysis; L. J. Child, General Traffic Manager; R. M. Snelgrove, General Attorney; H. L. Hickey, General Public Relations Manager; and J. A. Alexander, Manager, Field Services (Public Relations).

The Chairman explained the non-appearance of the Canadian Labour Congress on April 24th. The Committee agreed to hear their brief on May 29th.

The Chairman introduced Mr. Emmert who, in turn, introduced the members of the Massey-Ferguson delegation and called on Mr. Alexander who read Section A of the brief during which Mr. Emmert displayed and explained graphs and charts contained as appendices to their brief.

The Chairman informed the Committee of the personal background of Mr. Emmert.

The Committee questioned the officials of Massey-Ferguson Limited on the contents of their brief.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON MEETING (9)

The Committee reconvened at 2.30 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Campbell (*Lambton-Kent*), Clancy, Clermont, Cooper, Danforth, Fane, Gundlock, Hales, Henderson, Horner (*The Battlefords*), Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Knowles, Korchinski, McBain, McIntosh, Milligan, Montgomery, Muir (*Lisgar*), Nasserden, Pascoe, Peters, Phillips, Racine, Rapp, Regnier, Smallwood, Southam, Stefanson, Tardif, Thomas, Tucker and Webb.—(34)

In attendance: Same as at morning sitting.

Moved by Mr. Korchinski, seconded by Mr. Southam,

Resolved,—That the appendices to the Massey-Ferguson Limited brief be made appendices to this day's Minutes of Proceedings and Evidence. (*See B, C, D, E and F.*)

The questioning of the officials of Massey-Ferguson Limited continued.

Mr. Horner (*Acadia*), seconded by Mr. Gundlock, moved that the Committee ask Massey-Ferguson to prepare cost figures for the Committee, a breakdown of various cost items such as labour, materials, salaries and distribution for a number of years in making a tractor, combine, manure spreader and plough.

After discussion, the Committee adjourned at 5.15 p.m. to meet at 8.00 p.m. *in camera*.

EVENING SITTING

(10)

The Committee reconvened, *in camera*, at 8.00 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Campbell (*Lambton-Kent*), Clancy, Clermont, Danforth, Doucett, Fane, Gundlock, Hales, Henderson, Hicks, Horner (*The Battlefords*), Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Korchinski, Lahaye, McBain, Milligan, Nasserden, Pascoe, Peters, Racine, Rapp, Regnier, Ricard, Smallwood, Southam, Thomas, Tucker and Villeneuve.—(29)

In attendance: Dr. P. M. Ollivier, Law Clerk.

The Committee resumed discussion on Mr. Horner's motion and amended it to read: "that this Committee request all machinery companies appearing before this Committee to supply by years, from 1954 to date, a cost breakdown of the material, wages, salaries, and distribution which go into the manufacture of such items as tractors, combines, manure spreaders and balers".

Dr. Ollivier gave his opinion to the effect that the motion was in order and within the Committee's Order of Reference.

The motion passed unanimously.

At 8.30, the witnesses were recalled.

In attendance: Same as at afternoon sitting.

The Committee resumed the questioning of the officials of Massey-Ferguson Limited.

Mr. Clermont moved, seconded by Mr. Racine, that this Committee be adjourned to allow the members of the Committee to be in the House of Commons where they are studying Bill C-77.

The motion was negatived on the following division: YEAS: 3; NAYS: 22.

The questioning of the witnesses continued.

Mr. Horner (*Acadia*), moved, seconded by Mr. Milligan, that all machinery companies appearing before this Committee present figures for the years 1954 to date regarding numbers of employees in each of the following categories: administration, production and distribution, and that they give aggregate amount of wages paid in each case.

In amendment thereto, Mr. Thomas moved, seconded by Mr. Muir (*Lisgar*), that this motion be referred to the subcommittee on agenda and procedure.

The amendment was negatived on the following division: YEAS: 7; NAYS: 8.

Mr. Horner's motion carried on the following division: YEAS: 12; NAYS: 5.

The Chairman read a letter from Cockshutt Farm Equipment Limited requesting a postponement in their appearance before the Committee. It was agreed to re-schedule their appearance for June 5th.

At 10.15 a.m. the Committee adjourned until Tuesday, May 2nd at 2.30 p.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

MONDAY, May 1, 1961.

The CHAIRMAN: Order, gentlemen. I believe we have a quorum this morning.

Before I introduce our witnesses, I feel you probably would desire to have an explanation as to why there were no meetings last week. To start with, I hope you all have received through the mail a number of copies of returns and letters. This was information you had asked from Dr. Andel and Mr. Haase. They give you answers to the questions which were raised by various members at a previous meeting.

I feel I should say a few words about the non-appearance of the Canadian congress of labour, scheduled to appear on Monday, April 24. You will remember that your subcommittee sought and received approval from you to have the Canadian labour congress present their brief before the appearance of the machinery companies.

After setting one date which was not suitable to the congress, we received confirmation that they would appear on April 24.

At 8.00 a.m. on Friday, April 21, Mr. Lyons received a call at his home from Mr. George Burt, Canadian director, Canadian region, United Automobile and Agricultural Implement Workers union. Mr. Burt was to present the congress brief. The congress did not want to appear on Monday. Mr. Lyons arranged an appointment between Mr. Burt and myself at the conclusion of Friday morning's sitting. Mr. Burt did not want to appear without some other officer of the congress being present. Apparently the other officers were in South America or out in western Canada.

I explained to him that the committee wished their appearance before the machinery company briefs were heard and I suggested Friday, April 28. This date did not suit him, either.

Apparently the first date that suited was May 29. I told him I would put this date for their appearance before the committee. You will note that May 29 is after all the machinery companies have been heard. Is it your desire that we allow the Canadian labour congress to appear on May 29?

Mr. HORNER (*Acadia*): Yes.

The CHAIRMAN: I take it it is agreeable that they appear on May 29. I should also inform you that additional meetings have been scheduled for Monday, May 22, John Deere Company; and Friday, May 26, Saskatchewan wheat pool.

We have also been informed by the Canadian Co-operative Implements Ltd. that although they would be submitting a brief, none of their officers would make an appearance. Mr. John B. Brown, president of C.C.I.L. wanted to present the brief, but he is absent from Canada and will not return until June 17.

Gentlemen, this morning we are very pleased to have with us the Massey-Ferguson implement company and a number of officials from that company. I would like to introduce Mr. T. J. Emmert, vice-president. Mr. Emmert will introduce the other members of the delegation.

Mr. T. J. EMMERT (*Vice-President, Massey-Ferguson Ltd.*): Thank you, Mr. Chairman. Gentlemen, we welcome the opportunity to appear here today. Our directors have indicated to us very strongly that we should co-operate with the committee's objectives to the fullest extent. We believe we have done

so in preparing the brief, and in order to ensure that we fulfil the desire of our board I have with me to-day a number of my associates in the company. I would like to introduce these gentlemen to you.

Mr. W. J. Forsyth is our general sales manager for Canada. In that capacity he is responsible for all the activities of Massey-Ferguson in the field; that is to say Mr. Forsyth carries responsibility for sales, service, the operation of our branch houses and, in fact, everything that goes on with respect to our business, except that which is conducted at the head office or in the factory.

The remainder of the Massey-Ferguson men here carry responsibility also for North American affairs; that is to say their activities extend to all North America as well as to Canada.

We have Mr. Norman Penney, the comptroller for North American activity. Mr. D. W. H. Denton is director of personnel and public relations. Mr. J. G. Kingsmill is an assistant of Mr. Penney's and he is in particular responsible for financial analysis. Mr. R. L. Selgrove is our general attorney. Mr. L. J. Child is our general traffic manager; Mr. H. L. Hickey is our general public relations manager.

At this point, Mr. Chairman, with your permission I would like to call on Mr. J. A. Alexander, who is manager of our public relations field services, to read section A of Massey-Ferguson's brief. Is that satisfactory?

The CHAIRMAN: Would it be satisfactory to the committee if section A is read now? Very well.

Mr. EMMERT: I should mention that as Mr. Alexander proceeds with the reading of section A we have several visual aids and I would like to interrupt him from time to time to explain the purpose of these aids.

Mr. J. A. ALEXANDER (*Manager, Public Relations Field Services, Massey-Ferguson Limited*):

Last August, when Massey-Ferguson was invited to submit a brief to the standing committee on agriculture and colonization, our board of directors agreed at once to give full cooperation to your objectives.

It therefore became my assignment, as a vice president of the company—with responsibility for its operations in Canada and the United States—to supervise the preparation of the material filed with your committee and to present it to you at this time. We welcome the opportunity to appear here today and to lend support to your enquiry under the following terms of reference:

"That the standing committee on agriculture and colonization be empowered to enquire into the prices of farm machinery and to report to the House thereon".

At the outset, I believe it would be fitting to draw to your attention a few salient facts about a company whose history and traditions have been interwoven, for more than a century, with the development of Canada itself. Massey-Ferguson is proud of its long record. Our history as a company dates back to 1847—20 years before confederation. We are one of the few Canadian-based companies that has become truly international in scope. We have 24 factories in 10 countries, and market our products in 142 countries on all continents. It may interest you to know too that in 1960, while only 12.6 per cent of our total sales were in Canada, our combined sales in Canada and the United States represented 42 per cent of the company's consolidated world-wide volume.

In Canada we have our corporate office, our North American headquarters, six factories, an experimental farm and an engineering test track. We have some 6,400 employees, maintain five major branch centres and have a dealer

organization located in 900 rural communities. As a major manufacturer, we are substantial purchasers of Canadian goods and services—thereby providing additional employment and helping to stimulate the national economy generally.

It is significant to record, too, that the ownership of Massey-Ferguson is broadly based, with 42,000 shareholders—and almost 85 per cent of the shares are held in Canada. Thus, the shareholder-direction of our world-wide operations is basically Canadian.

Strong Management Imperative

In this broad portrayal of our company I have attempted to point up the responsibilities that are inherent in our position as a leading business organization in the economic life of Canada. The management of Massey-Ferguson is responsible to its shareholders for handling more than \$200 million of the money they have invested. In working for those who have chosen to participate in the growth of the organization we are deeply sensitive of the need to provide them with earnings comparable to those of other companies or institutions in which they could invest. Only then can we continue to command the capital necessary for efficient operation and for expansion.

Recognizing our responsibility in this regard, we have no hesitation in stating that we are in business to make a profit. We would state further that over the post-war years, our profits have been far too low. In recent years, Massey-Ferguson management has informed its shareholders that it is making very extensive changes in organization and in management policies which, it is fully expected, will yield higher returns. At the same time, we assure our farmer-customers that we are giving them the most they can presently get for their money; and we are determined to give them still more value as we progress.

We are pursuing aggressive policies—of necessity, rather costly ones. In the area of research and development of agricultural machinery, our goal is to give our farmer-customers machinery which is particularly adapted to their special needs, at the lowest price at which it can be supplied—machines which permit farmers to achieve rapidly increasing gains in efficiency of production. Similarly, in the areas of production and marketing policy, distribution, dealer and customer services, financial management, labour relations, and transportation, we are putting forth our most aggressive efforts to improve the efficiency of our organization. We recognize that our success will mean gains for our shareholders, for our employees, and for Canadian farmers. Our brief to you today will give you an insight into our activities in each of these fields over the post-war years, the period that we feel is of greatest interest in the present enquiry.

At Massey-Ferguson we have the task of keeping under constant review, the prices of some 120 pieces of machinery and equipment, and 85,000 parts sold in the North American market. We wish to make it unmistakably clear that, in pricing, we are guided overwhelmingly by considerations of the market. We must be sensitive to preferences of our farmer-customers and to the general tone of the market which reflects the state of the farm economy of the country, and we must be competitive.

The emphasis we place on demand in pricing our products is no denial of the importance of costs in our business; but this importance is in terms of internal adjustment of our operations. Costs must be met over a period of years; otherwise the manufacturer goes out of business. This is the major significance of costs.

As to capital investment and earnings, our submission to your committee at this time contains the same information as provided in connection with the royal commission on Canada's economic prospects, up-dated to 1960. (See page

41 of publication "The Canadian agricultural machinery industry", by J. D. Woods and Gordon, Limited, April 1956). Through this information it is clearly evident that, in recent years, the prices we have charged for our products have not covered costs and provided a fair capital return.

Mr. EMMERT: Gentlemen, although this information is in tabulated form, we thought it might be deserving of a visual look concerning what we are talking about. These two lines represent Massey-Ferguson's world-wide sales in terms of millions of dollars, and Massey-Ferguson's net income also in terms of millions of dollars. It simply serves to portray graphically what we have set forth in some detail in accordance with the principles established by the royal commission report on agricultural machinery. These aids will be available in the room all day, if you care to look at them.

Mr. PASCOE: Will they be reproduced in the hearings?

Mr. EMMERT: In appendices in tabular form.

Mr. KORCHINSKI: Could we not have this information as an appendix to our proceedings?

Mr. EMMERT: We will be very happy to reproduce the charts.

Mr. HORNER (*Acadia*): That is all in the exhibit.

Mr. EMMERT: It is in tabular form. Members would like it in graphic form and we would be delighted to do it.

The CHAIRMAN: This will all go into the proceedings today. If those charts are not the same as already in the appendices, they will be reproduced.

Mr. KORCHINSKI: Some people who are not at this meeting might be reading these proceedings, and if you make reference to these charts, they will not know what it is all about.

Mr. EMMERT: We will reproduce it for you.

Mr. ALEXANDER: Let me assure you that to remain competitive, we must constantly devise means of securing economies in production. One might say this is the biggest job of management. We react to demand as we find it, and make every possible internal adjustment on the side of costs—here, and only here, lies our opportunity for profits. And, even on the side of making internal adjustments with respect to costs, we face grave limitation. Our biggest cost elements are steel, labour, and transportation; and over none of these have we any significant control. Thus, the area of our own discretion, even on the cost side, is limited to the manner in which we organize our manufacturing and marketing procedures. These, like our pricing, are under constant review and changes proceed continuously.

We are proud of the management team we have at Massey-Ferguson—professional management people in the farm equipment business. But, we have told them and have told the share-holders, that since the quality of management, along with research, development, and product innovation, are the only areas where we have significant control over our business, we must do a still better job. Thus, over the last 12 to 18 months. I have presented our North American management team with a challenge to greater managerial innovation. If the challenge is not picked up, I know, and every member of the management team knows, how serious the consequences could be.

I express the business "facts of life" in these terms because they represent, better than any other way I can command, the approach to corporate organization at Massey-Ferguson. This is the accepted approach of strong corporate organization and I defend it. In telling our shareholders, we have told the public, and told our competitors that we are determined to secure a larger share of the North American market for agricultural machinery. To accomplish this, we have to produce a better product, produce it more cheaply, and price it so

as to get an increasing share of the market. In doing this, our policy is fully consistent with the welfare of the Canadian farmer and of Canada. Without this, a free enterprise economy has no meaning.

I cannot stress too strongly our concept of a competitive Canadian economy. Summarizing the accepted position of the country's leading economists, we would claim that free enterprise is neither a private prerogative nor a right, but a public privilege open to everyone.

What the Canadian people give through their government, when it charters a company, is the right for the company's shareholders to expose their capital to risk and to make profits or losses. Whether there are profits or losses depends almost entirely on the general public in the exercise of its freedom of choice amongst competitive businesses. Thus, the importance we attach to demand is dictated by the public. It is sole judge. All forms of business organization exist at the pleasure of the public—particularly the corporation, which owes its very existence to public charter. With this grant of powers, the corporation must demonstrate its competence in a fair field of competition.

A North American (Canada and United States) Industry.

Before proceeding further, I should like to make unmistakably clear, a point of greatest importance. While Massey-Ferguson in origin, development, and ownership is a Canadian company, there is no longer such a thing as a Canadian farm machinery industry serving only the Canadian farmer.

Since 1944, when the last tariffs were removed, there has been a common market for agricultural machinery between Canada and the United States. While this has certain advantages to us, in giving us access to the large United States market, it means that in return we must bear the full brunt of competition in Canada from United States-based companies. While there have been suggestions that a measure of tariff protection should be accorded the Canadian farm machinery industry, no such view has emerged from Massey-Ferguson. The market in which we compete on this continent is North American in scope—not two markets in two separate countries—but one all-embracing continental market. Farm machinery moves freely across the Canada-United States boundary line in both directions. To companies in this industry, the international border is of very limited market significance.

Mr. EMMERT: This is a map of North America defined as that geography consisting of Canada and the United States. This is the borderline. Its only importance in our industry is one bearing on the administrative procedures. We are still required to have a lot of paper flow within our company in order to have goods passed over that border. It is not an economic barrier however. This market south of the border is roughly eight times the value to the farm equipment industry. If it were not for our ability to transport goods back and forth across this border, without economic cost, Massey-Ferguson could not compete in the world's largest agricultural equipment market in the United States, and if that were not so, then the Canadian farmer would be obliged to pay the penalty of a smaller production unit within North America. This we consider to be an essentially important fact of life in this agricultural equipment industry with which we are dealing.

In this submission, therefore, our horizon must be North American, not Canadian alone. We cannot, for economic reasons, manufacture all of our products in Canada; nor can we produce in our Canadian factories all the machines we require to serve the Canadian market. It is our practice, however, to manufacture in Canada as much as we possibly can. It pleases us to observe that at least some of our larger competitors appear to be following our pattern in this regard.

Specialization of factories on both sides of the border to serve the entire North American market has permitted the realization of very substantial economies which are passed on to farmers in the two countries.

Massey-Ferguson produces all of its combines and balers for the North American market in Toronto; it produces its entire North American tractor output for this market in Detroit—and these have a high proportion of components brought from the United Kingdom. This is so because these components are used in tractors produced for all parts of the world. A substantial number of tractors, for the Canadian market, is produced in our British plants. I should point out that, in this continental market, Massey-Ferguson prices its products to Canadian dealers at prices no higher than those accorded our American dealers. We feel that Canadian farmers clearly gain from the continental orientation of our industry.

Another very important implication of Massey-Ferguson operations in the continental market is in our large volume of exports of Canadian-made products to the United States. Over the period since 1949, the favourable net balance of trade with the United States resulting from the operations of our company was \$460 million.

Massey-Ferguson and the Agricultural Industry.

Our organization is very much aware that while cash farm income has generally been maintained, there has been a general decline in the net and real income position of the Canadian farm industry. Our sales are very sensitive to farm incomes. The instability which characterizes farm incomes affects to a large extent the income or earnings of our organization. Our position in the Canadian economy is inseparably linked with the financial health of the farm community. Farm incomes are far too low as related to the amounts of labour, management, and capital that go into agriculture. We very much hope that the adjustments through which the farm industry is passing will lead to stabilizing returns at a much higher level. We would point to the fact that in maintaining prices of our machinery to Canadian farmers at levels no higher than those faced by American farmers, we are aiding in keeping Canadian farm costs down. This we can do by achieving large volume sales—possible only because we have free access to the large United States market.

Mr. EMMERT: Again, this is simply a graphic illustration of material which is in one of the appendices. The top line, which is green, represents the output of Massey-Ferguson Canadian factories in terms of millions of dollars. The difference between the green and the orange line represents shipments to markets other than Canada or the United States. It is apparent, as the years have progressed, that we have lost our ability to compete in export markets,—that is, outside the North American continent.

The band between the orange and the red line indicates the production of our Canadian factories which has flowed into the Canadian market. The area below the red line indicates our Canadian factory production which has been sold in the United States market. These shipments to the United States, and our ability to impinge upon the world's largest market below the border, is one good reason for our ability to keep the prices to Canadian farmers and to our dealers in Canada literally at no higher levels than the prices charged to American dealers. I would call to your attention, and to the members of the committee, that this price position on farm machinery—that is to say, where goods are sold for the same price in Canada as in the United States—is in marked contrast to the price position on other leading consumer goods such as automobile products, household equipment, and so forth.

Contrast the price position of our farm machinery in the United States and Canada with the position of such leading consumer items as automotive products, household equipment and so on.

Pricing and Financial Aspects.

Massey-Ferguson net income after taxes in 1960 on world-wide operations, amounted to 2.7 per cent of each dollar of sales. For the years 1954 to 1960 inclusive, world-wide sales were \$2,774 million and net income was \$63 million, or about 2.3 percent of net sales. This could scarcely be described as a situation where the prices of farm machinery could be identified with high profits. On this continent since 1948, our traditionally more profitable export sales have largely disappeared and have been replaced with less profitable sales in North America. Restriction on purchases in the dollar area by sterling countries was, of course, an important factor.

Actually, our advantage represented in the original development of the self-propelled combine gave Massey-Ferguson a spectacular share of the North American market in the immediate post-war years. This more than offset the loss of export markets outside of North America; but it lasted only three years, by which time our competitors had acceptable self-propelled combines. Defence sales, mainly in the United States, aided in maintaining the earning position of the company until 1954. Since that year, we have faced increasingly vigorous competition in what has become clearly a buyer's market. This market situation is associated with a customer demand for an expanding range of products and for fully adequate parts and servicing facilities; and, during this entire period, the farmer-customer has been purchasing increasingly on credit. These circumstances inevitably have increased the cost of investment in dealer inventory, and in providing marketing distribution, and servicing facilities. The rigours of living in this highly competitive industry have accounted to some extent for our declining earnings. But, we are determined to overcome these difficulties by selling higher quality products at fair prices and by giving more and better service.

Massey-Ferguson, for certain factors of production, has to pay on a basis determined by the market and general economic conditions. This is reflected in the fact that farm machinery prices have risen generally in line with the cost of steel and labour.

In an accompanying statement, we show details of our standard net recovery from dealers on four important Massey-Ferguson machines. These prices follow much the same trend as the dominion bureau of statistics retail farm machinery price index over the post-war period. In these comparisons, we emphasize the new features built into these machines year by year, as well as the general improvement in quality. It is significant that the steel we use has risen in price by 88 per cent since 1947, and our hourly labour rates have risen by 117 per cent since 1947. These increases in our largest items of cost compare with a 101 per cent increase in the price of farm machinery since 1947. It is apparent, therefore, that farm machinery prices are not out of line with the costs of steel and labour.

Engineering, Research and Development.

One of the great virtues of competitive enterprise is that it compels manufacturers to develop and offer to the customer better, more efficient products. In fact, we might say that the most insistent demand for innovation comes from the customer. We know this through the work of our product planning, marketing and engineering functions, which maintain close contact with Canadian and American farmers.

At Massey-Ferguson, we are mindful of the importance of engineering research and development. I am not speaking platitudes when I say that we are dedicated to the development of machines and implements that will

reduce manual labour, do work more efficiently, and enable the farmer to produce better crops at lower costs. Our objectives are (1) to provide the farmer with machines to improve the quality of his work; (2) to make better use of machine power; (3) to enable more efficient use of human labour; and (4) to make machines of greater durability. Our survival as a company depends on it. If we did not plan, engineer, and market products to meet these aims, we would have no right to be in this industry; nor would we be. Only through technical development and improvement has our industry outgrown the blacksmith shop,—and, it started as a blacksmith shop.

Engineering research and development are costly. They require highly trained engineers and scientists, the most modern equipment, and laboratory and field-testing facilities. During 1960, our company spent more than eleven and one half million dollars on this work.

There is no monopoly on ideas. In Massey-Ferguson we are determined to make a heavier impact on the market. We have, and are making, the products to do it. This results from intensification of our emphasis on product planning and development.

Our efforts and expenditures on engineering and research are well-directed. In Massey-Ferguson we have a world-wide engineering division that gives us centralized control, with attendant economies in time, money and talent. This gives us the advantage of a skilled group familiar with the world-wide needs of agriculture, and eliminates costly duplication at the national level.

The design of every machine must result in superior performance and reliability, in safety, in ease of maintenance, in a product capable of volume production, and with customer appeal. All of these characteristics must be achieved at a satisfactory cost—a formidable job in itself. And they are. As stated recently in a technical publication: “Modern tractors last longer and do more work than those made earlier. The average service life of a modern tractor ranges from 16 to 20 years, as compared with about 12 years for those made before 1940”. Our experience at Massey-Ferguson corroborates this statement. The useful life and productivity of our machines has increased sharply.

Massey-Ferguson engineering has paved the way to many innovations during recent years:

- (a) Volume production of the self-propelled combine.

This is a first in the world for this Canadian company.

- (b) The Ferguson system of mounted implements, enabling the use of more powerful, lighter-weight tractors—with resultant fuel savings.
- (c) Variable speed traction drives for combines.
- (d) Sealed bearings to lessen maintenance time and prolong life.

Standardization does have a place, and a very important one, in our company. For many years, Massey-Ferguson has standardized on the design of parts in its machines to the benefit of the customers. Let me mention only a few of many examples:

- A combine sprocket first used in 1921 is still used on combines in North America and France, and is planned for use on future machines.
- Cylinder bars used in 1941-43 were used on a new model in 1953 and are still used in production.
- A very important example too, is that implements designed to fit the Ferguson tractor produced in 1939 have not been obsoleted by newer, larger tractors developed in recent years.

We are now seriously engaged in a study of the possibility of greatly reducing the number of sizes of nuts and bolts used on our machines. This would not only simplify matters for farmers, but would reduce the number of parts we would have to make and correspondingly the numbers our dealers would have to stock.

Within the industry itself, there has been extensive standardization represented in the power take-off, hydraulic remote control, V-belt drives for farm machines, the location of hitches, farm tractor and implement wheel discs, baling wire for automatic balers, and the agricultural tractor test code. This has been achieved by professional engineering societies working in co-operation with the Farm Equipment Institute. We should like to see further progress in standardization approached within such a context.

Engineering and research have given the farmer safer, more comfortable, longer lasting, more efficient and more economical machinery to operate.

Marketing, Distribution, Servicing and Financing Sales.

Our marketing policy and our relationship with dealers and customers are dealt with in considerable detail in appendix III herewith. Because of the vital importance of this phase of our business, I wish to outline briefly the development of Massey-Ferguson's marketing concepts and our approach to distribution, servicing and the financing of sales.

Prior to 1944, "Massey-Harris" in Canada distributed its products through a comprehensive agency organization. Since fewer farmers had automobiles, it was customary to provide sales outlets for whole goods and parts in almost every hamlet. Thus, in 1935, the number of agencies associated with the company was almost 2,300. Many of these agencies held franchises, at the same time, from other farm equipment manufacturers.

These agents, in representing the Massey-Harris company, were little more than consignees. They assumed almost no responsibility beyond transmitting orders from customers to the company. Customers service and settlement of accounts were left to company employees who worked out of 17 branch houses. In addition, there were 10 supporting warehouses which distributed parts. As you can readily understand, this was a very costly distribution organization.

In 1944 the company took a major step forward by changing the consigned contract to a purchase contract. The "Massey" dealer became an independent businessman, responsible for the service required by the farmer-customer. As a result, the forces of competition at the retail level, coupled with improvements in transportation, led to a reduction in the number of outlets—so that in that year we were represented by 1,750 dealers. That was 1944.

From 1944 onward the company has continued to emphasize the basic responsibilities of its dealers to the farmer-customer as well as to the company. This continuing emphasis on the dealer feature of our business—coupled again with improvements in transportation and communications—resulted in a reduction, by 1950, to 1,350 dealers and by 1960 to about 900. In exact terms, we had 549 in western Canada and 337 in eastern Canada. In addition, we serve Canada through five major branch warehouses and five subsidiary locations—strategically situated for the most efficient distribution of machines and parts.

Mr. EMMERT: We mentioned earlier the very high inventory load which the traditional method of distribution in our industry called for, and the graph to which I now refer portrays the relationship of the inventories financed by the company as opposed to the sales. You will note, of course, that as the years have progressed it has taken more inventory to produce a dollar of sale, and this indicates the continuing demand on the part of farmer customers for a more varied line of products than was available to them back in these years.

Mr. HORNER (*Acadia*): Does that inventory graph include parts held by dealers?

Mr. EMMERT: No. It includes raw materials in our factories, whole goods in our branch houses and whole goods in the hands of dealers, goods that they have accepted from us on a purchase contract but for which they are not obliged to pay until the terms of the purchase come to an end, which can, I believe, run off as far as 14 months. The parts in the dealers' hands would be on top of that. It is interesting to note in that respect that our dealers, as a dealer body, actually carry a larger body of inventory parts than we do in our company branches, and our parts inventory last year represented almost a year's sales of parts.

Mr. ALEXANDER: Our policy is to continually "upgrade" the calibre and capability of our dealerships—by working with dealers to attain the highest possible level of *service*, in its broadest sense, to the customer. At the same time, we are providing our dealers with the opportunity of conducting a satisfactory business operation.

The reduced numbers of dealers, with increased service facilities, have in no way reduced competition. In fact, it is more vigorous than ever. Yet we state quite readily that our objective is: more adequately equipped, more financially responsible and more profitable dealerships.

We exercise considerable control over our dealers, particularly in ensuring a high level of service facilities for the benefit of the farmer. As to price, we indicate to dealers our suggested maximum list price on every machine. What the dealer actually gets for any machine is a private matter between him and the customer—because of the high incidence of trade-ins whose value is largely dependent on the market at the time of the transaction.

Based on data available from dealer associations, the net margins of dealers are a matter of public information.

You will understand that in the area of retail pricing we can be of no particular assistance. On the basis of our experience there is no such thing as a static retail price for any of our machinery.

As a sales incentive, we frequently give our dealers special pre-season discounts which, in addition to stimulating sales, help to stabilize employment in our highly seasonal industry.

In any customer-oriented business, the efficiency of the parts supply system plays a major role in determining the quality of customer service we are able to give. With this in mind, Massey-Ferguson established in 1958 basic principles relating to a centralized parts inventory and warehousing distribution system—applicable to any of the company's operations units around the world.

We had three objectives: (1) to improve distribution service to our customers so that a customer order, no matter from where it was placed, could be acted upon immediately and delivery made just as fast as the modern communication and transportation facilities would permit; (2) to bring our distribution costs down in order to improve our profit margin and keep our retail prices competitive; and (3) to put the principles into effect not only in North America, but in other areas of the world where we have manufacturing plants. The two main concepts of our plan, centralized control and global integration, represented two "firsts" in the agricultural industry.

We depend on data processing equipment for handling the mammoth job of "monitoring" distribution activities of the company on a continent-wide scale. Our branches are required to report their disbursements of parts to our central parts office. With the aid of computer equipment we have developed a record, up-dated semi-monthly, which tells us the volume of parts sales throughout North America on an item by item basis and signals us when and where in

our distribution system we are running short on stock. It is interesting to note that in the province of Saskatchewan, our inventory of parts at the end of 1960 was not much lower than our parts sales in the province in that year—and our own parts inventory is estimated to have been smaller than that of our dealers.

Hand-in-hand with parts goes consumer service. We are the only farm equipment company in North America that has a central service centre for training dealer personnel. Over 2,000 practical dealer mechanics have been trained in the past 18 months. Well-trained mechanics save the farmer both time and money, as you know.

Whole goods distribution has been under equally intensive study and action. In 1960, Massey-Ferguson initiated a mixed assembly line at its Detroit tractor plant. This line enables the loading and shipping of mixed carloads directly to dealers, thus reducing freight and handling charges which again permit lower prices to the consumer.

Our implement plants in the Brantford-Woodstock area made considerable headway, in 1960, in loading and shipping mixed carloads of small farm implements—a practice that enables our dealers to stock and service a variety of implements at less cost to the farmer. Many more realistic steps to streamline distribution are planned for the future.

In 1960, Massey-Ferguson established a retail finance subsidiary in Canada. You may ask, “of what benefit to the farmer is this?”

First, many young farmers are limited in becoming good farmers due to insufficient capital. You are well acquainted with F.I.L.A. (Farm Improvement Loan Act) and its fine contribution to the farm economy. By having a secondary source of capital, farmers are able to purchase, through that means, the equipment they require, and use their farm improvement loan to purchase fertilizer and seed which, in turn, help to increase yields.

In addition, a farmer saves time and faces a minimum of “paper work” by having available a one-stop service. He can finance at the same dealership where he purchases his equipment.

Recently, in a move to further streamline the process of communicating distribution data, we introduced a telecommunications system which links all our offices, parts warehouses and plants in North America into a company-controlled network. Together with data processing equipment, we now have fully integrated facilities for collecting the basic data on which to make adjustments quickly to any phase of our distribution activity. As further indication of our activities in this direction, a newly conceived distribution system is now being tested in one area within the United States. When its value to our customers, our dealers and the company has been demonstrated, it can be adapted to Canadian conditions and needs.

Labour Relations

Massey-Ferguson has 9,480 employees in North America—67 per cent of whom are located in Canada. (In exact terms, 6,320 in Canada and 3,160 in the United States.) Like other employers, we have been confronted with rapidly-rising labour costs. Hourly earnings in Canadian manufacturing industry have risen by 111 per cent since 1947—and we, as well as other employers, have had to adjust to that situation.

Almost all hourly rated plant workers are unionized under a multi-plant agreement covering our Toronto, Brantford, and Woodstock factory operations. This agreement is with the united automobile workers. Separate agreements cover stationary engineers, draftmen and plant guards. In all, we are party to 14 collective agreements covering 5,129 employees. Average hourly earnings

in our Toronto plant in December 1960 were \$2.19. This compared with \$2.13 for the Canadian agricultural implements industry, \$1.97 in durable goods manufacturing industries, and with \$2.08 in the transportation equipment group. Other dominion bureau of statistics data show hourly rates in the iron and steel products industry as \$2.09 and in all manufacturing industries as \$1.82.

We feel that the foregoing data indicates that Massey-Ferguson wages compare very favourably with those of the farm machinery industry and with related industries. Average hourly earnings in our Canadian plants increased by \$1.33 or by 153 per cent from 1946 to 1959; this exceeds the corresponding increase in all manufacturing and in durable goods manufacturing industries. Average hourly earnings in our factories have risen twice as much as the consumer price index—yielding a very significant increase in real hourly wages.

Fringe benefits at Massey-Ferguson are generous in comparison with those prevailing generally in Canada. Their cost runs at 28 per cent of our annual payroll or an average of \$1,275 per employee annually. This compares with corresponding averages of 22 per cent and \$1,038 for 100 major Canadian companies.

We have shown that Massey-Ferguson employees' earnings significantly exceed those of the Canadian farm machinery industry, and other industries with which comparisons are relevant. On the other hand, we show in exhibit 'E' to appendix IV that, in 1959 in the United States agricultural equipment industry, hourly earnings were 27 per cent higher than in the Canadian industry.

Lower labour rates in the Canadian farm equipment industry are recognized as the major factor that makes a Canadian-based industry feasible in a common North American market. This advantage overcomes the real disadvantage in transportation costs when selling in the prairie provinces and in the substantial United States market west of Michigan and south of the Ohio river. The Woods-Gordon report to the royal commission on Canada's economic prospects noted this fact. We would not disagree with the conclusion of the Woods-Gordon report (page 37) that Massey-Ferguson "with its substantial manufacturing operations both in Canada and the United States will be in a position to choose the location of any expansion on the strength of the conditions affecting costs and market at that time". We also recognize the fact that United States-based companies have a clear edge in terms of advantageous location in the high-volume North American market. Unfavourable developments in either the transportation rate situation or in our labour rate position could render the present North American deployment of production facilities, uneconomic.

Mr. EMMERY: Once again, Mr. Chairman, I think it would be well at this point to delineate graphically what Mr. Alexander has been talking about. Beginning in 1947, using that as a base, we have charted the cost of rolling mill steel on a wholesale price index, which is the red line on the chart I am holding. We have also charted the farm machinery price index, shown by the broken black line and, in the terms of the orange line, we have charted the average hourly earnings of the iron and steel industry. In this step chart up here, we have charted the increase in freight rates, or the relationship of freight rates to the base in 1947. These three elements, as we stated earlier, are of tremendous importance in the price that the customer eventually pays for farm machinery.

Mr. ALEXANDER: Now, Mr. Chairman, we shall be talking about transportation.

Transportation

Massey-Ferguson makes continuous effort to minimize price increases to farmers both by action within its plants and on distribution costs which apply beyond its factory doors. There is no better example of this than our constant review of transportation costs, in our employing the least costly and most efficient modes of transportation, and in our many appeals (sometimes successful) on freight rates, loading requirements and other transportation regulations. The record submitted to you in connection with this statement bears out the company's vigilance in keeping freight costs to farmers to the lowest possible levels, considering the fact that transportation rates are set by government regulatory bodies.

Canadian plants located in the Toronto area have a distinct disadvantage in freight rates to western Canadian destinations compared to plants located in the Moline (Illinois) and other American areas. The differential in favour of the American plants in shipping to western Canada now runs generally from 60 to 80 cents per hundred-weight over Toronto for 40,000-pound cars. Since the end of the war, Canadian freight rates on farm machinery have increased by 138 per cent, while United States increases have been 113 per cent. For our own organization, any such relationship and disparity would render our ability to sell Canadian products in the great agricultural areas of the midwest United States and western Canada increasingly difficult. Depending as we do on these markets for the bulk of our Canadian output, you can imagine how apprehensive we are, not only for our shareholders but equally for workers in our Canadian plants. At the present time, Canadian plants in the Toronto area enjoy a freight advantage over a territory which includes only 15 per cent of the market of the continent. Our difficulty in maintaining a reasonable share of the United States market for combines is to no small extent attributable to our increasing freight disadvantage.

We bring to the attention of the committee that, in 1952, at our instigation, the railways lowered the minimum carload weights applicable to farm machinery, from 24,000 pounds to 20,000 pounds in some cases, and to 18,000 in others. This brought a substantial saving in freight costs in shipments of combines.

To effect economies in inter-plant movements of components and inbound raw materials, we depend very largely on contact truckers—and secure rates approximately 40 per cent less than those of common carriers.

In 1958, Massey-Ferguson commenced using direct United Kingdom-Toronto ocean freight service on tractors. The opening of the St. Lawrence Seaway made this transport method still more advantageous. The same service has been used to some extent on direct shipments of components from the United Kingdom to Detroit.

Other illustrations of our efforts to effect every possible economy in transportation are: (1) internal and outside auditing of freight accounts to ensure that the most economic rates and routes are used; (2) negotiation of storage-in-transit arrangements to avoid separate freight charge on goods moving out from branches to dealers; (3) encouraging the greatest possible use of direct factory to dealer carload lot shipments, giving the dealer advantage of lower freight charges and of avoiding branch house handling and warehousing costs; (4) prepayment of freight charges to branches and dealers to ensure charging of proper rates and control of routing to give the cheapest and most efficient service; (5) accepting responsibility for loss and damage claims, thus relieving dealers of this task and, at the same time, giving them the benefit of our specialized knowledge and experience in these areas; (6) the use of diversion and storage-in-transit privileges and, (7) the use of loading methods which take advantage of lower rates applicable to heavier loading per car.

Conclusion

At this point, I should perhaps summarize the principal elements of this brief and their significance for your committee.

We have stated that Massey-Ferguson is a Canadian-owned company operating on a world-wide basis. We represent Canada in many lands throughout the world—and in a way that brings credit to our country.

We have presented the record of a substantial Canadian manufacturing organization over the post-war year. Our statement reveals that this company, in its North American operations, exists on its present scale because of free access to the United States market.

We have shown that sharply rising freight rates are placing us in increasing difficulty in our penetration of that market and have suggested that any substantial barriers to movement of our products to the United States market—either by way of freight rate increases or in other ways—would place us in a most difficult position. Only by our large volume of sales in the United States can we keep down costs and introduce imaginative, practical products for the benefit of the Canadian farmer.

We can affirm the finding of the Woods-Gordon report that our company, in its future expansion plans, will have to weigh carefully the advantages of labour cost, in a Canadian-based operation, against the transportation and other advantages of location in the United States.

We have stated that we have an aggressive management and that it is doing a good job on behalf of Canadian agriculture; nonetheless, we have not succeeded in making satisfactory earnings over the past seven years.

Canadian farmers benefit from Massey-Ferguson operations not only in a world-wide market, but particularly in a North American market. Almost two-thirds of the output of our Canadian factories is sold in the United States—permitting economies on a scale that we could not otherwise achieve.

Our North American operations have contributed to the entire Canadian economy. As stated earlier in this presentation, our exports to the United States since 1949 have resulted in a net favourable balance of trade for Canada of \$460 million. A very important consideration is that we serve the Canadian market without tariff protection—and ask for none.

We have indicated that in those areas over which Massey-Ferguson has any power to contain costs, we are aggressively pursuing appropriate policies. We are moving ahead in this direction, in the first instance, on behalf of our shareholders, but in full knowledge that to reap *any* gains for our shareholders and our employees we must provide the farmer with a better machine than he can get from our competitors, and at a competitive price. To solve this problem is the great challenge to our management people engaged in production, in engineering, in marketing, in labour relations and in financial management.

The committee will realize that for some years we have distributed our products in a buyer's market, and we are sure that evidence presented by the farm machinery dealer trade associations will bear this out. On the other hand, as we have pointed out, we lack a very significant degree of bargaining power in respect of the prices we pay for our major production requirements. In this sense, we share the cost-price squeeze with the farmer. Faced with this situation, we have both in manufacturing and marketing, exerted every reasonable effort to realize economies.

Finally, we have stated our concern about the income position of the Canadian farmer, for the very simple reason that our sales and earnings are very sensitive to farm incomes. It will be perfectly clear to you that our prices are not at their present level because of high profits—last year our profits were 2.7 per cent of consolidated world-wide sales.

Leading economists tell us that farm prices are low because of the very slow growth of demand for farm products, and because of the rapid productivity gains by Canadian agriculture—gains to which our farm machinery industry has contributed.

We are painfully aware of the intractable character of the farm income problem, and hope for the success of this committee, and all government and farm organizations endeavouring to find solutions to the problem.

Be assured, gentlemen, of our sympathetic interest and assistance in your efforts to aid Canadian agriculture. We look forward with faith to the development of a stronger farm industry in Canada—an industry which will provide adequate rewards to those who produce Canada's farm output and to those who provide them with the necessary tools.

Thank you very much for your attention.

Mr. EMMERT: Mr. Chairman, I may simply state that what Mr. Alexander has given to you in the way of an oral presentation is, of course, a summary of the mass of detailed information which is contained in the entire brief in the form of appendices.

That concludes our oral and visual presentation. I and my associates from Massey-Ferguson would be very pleased to stand ready to reply to any questions the committee may have.

The CHAIRMAN: Thank you very much, Mr. Emmert and Mr. Alexander. Before we proceed any further I must apologize to Mr. Emmert. I neglected to give him a formal introduction to the committee. I shall do that at this time. Mr. Emmert was born on a farm in the state of Illinois. He received his early education on another farm in the state of Washington. His business career covered the automotive, air craft and agricultural implement industries. He did not come to the good country of Canada until 1947, and became a naturalized Canadian citizen in 1956. Since coming to Canada, Mr. Emmert has lived and worked in Montreal, Windsor and Toronto. During the course of his work he has had the opportunity to travel across Canada many times from coast to coast and has acquired a good knowledge of Canadian agriculture in all the provinces.

I would ask the committee to direct questions through the chair to Mr. Emmert, who in turn may wish to ask a member of his organization to reply.

Mr. MUIR (*Lisgar*): On page 15 of the brief the effort they have made towards standardization of parts is mentioned. Would you not agree there is still an extensive area for improvement and expansion in this particular field of lowering costs.

Mr. EMMERT: Mr. Chairman, if I may reply to Mr. Muir's comment, we would quite agree there is a great deal of work to be done yet in the way of standardization. As a matter of fact within the last two years we have appointed within our worldwide centralized engineering division an activity which devotes its time to the matter of standardization of parts within our own company. In addition to that there is a lot of effort being put forward by the farm equipment institute—that is all the farm implement manufacturers—in an attempt to standardize items which lend themselves to standardization as between manufacturers. Nuts and bolts are an obvious example of that kind of thing.

We do not want to leave with you the impression that a great deal of effort has not already been made in this regard. It is possible today for a farmer customer to buy a Massey-Ferguson tractor and, if it suits him, to buy all of the equipment which might be attached to that tractor from other manufacturers. It certainly is not the intent of the manufacturers to so design their products that a customer, once having bought a piece of motive power, is

forever and a day hooked to that particular manufacturer. From a market point of view this would be very desirable; but on the other hand, it would backfire in terms of the used market for equipment.

Mr. MUIR (*Lisgar*): I have a supplementary question. I think one of the areas in this field which is rather annoying to perhaps some of your farmer customers is the fact that so many of your parts are not interchangeable between machines. I am talking about the sickles for your twelve foot combine which might be used on a twelve foot swather. The reel, slats, arms and so on, are the same; quite often there is only a fraction of a difference, but enough difference that they cannot be used on the different machines.

Mr. EMMERT: We discussed this last night at the hotel. In this instance, I think I would like Mr. Forsyth to expand on the answer I might give. Mr. Forsyth has a considerable knowledge of this industry and what may appear to our customers to be minute variations.

Mr. FORSYTH: In answer to your question, I will attempt to draw an example. In recent years in certain areas of North America a swather, for example, has become a normal method of handling hay. A peculiarity of a machine in cutting dry grain such as cereal crops is that the cutter bar requires a serrated blade in one case and a smooth knife section and reverse on the other. Although there is no basic change in the cutting bars there have been major changes necessitated such as a different angle of guard and different point of attachment. Many of the old machines are still in operation for which we have to supply parts. Therefore what would appear to the individual customer to be a confusion of these guards on sickles exists.

Mr. MUIR (*Lisgar*): Otherwise you mean that in your newer machines you are more or less trying to standardize that sort of thing.

Mr. FORSYTH: As much as is possible. If my memory serves me correctly we use only three types of guards in all our swather, mower and combine table production today.

Mr. EMMERT: If I may amplify that, we were speaking of standardization a moment ago. One of the major products that this standardization unit within our company has been assigned is to eliminate to the greatest degree practicable the multitude of different knife sections which our company manufactures all around the world. This is done really for very selfish reasons, because the fewer number we have to manufacture the more concentrated manufacture we can obtain. For example, we have a capacity in our Woodstock factory, where we make knife sections for North America, of about twelve million sections per year. It has been many many years since we have run anywhere near that capacity. Obviously, if we could we would benefit through lower production costs, and our customers would benefit. However, I must point out that if you standardized completely on an item of sufficient importance as is a knife section you would only serve to compromise the utility of the machine on which the section is used. It is quite true that a given knife section would cut dry hay, wet hay, oats or wheat, but it probably would not do it with the greatest efficiency.

We know in the case of some of our customers that they do not choose, for reasons of their own, to use the sections that we recommend for a particular application, because they just happen to run their machines the way they think would be most effective and most efficient. Some men like to travel at high speed, while other men like to travel at slower speeds.

Mr. HORNER (*Acadia*): I have a question on another line, and one which is supplementary to Mr. Muir's question. Mr. Forsyth has said that they are now trying to standardize their guard set-up. They put out a mower which has three different sets of guards. This creates great complexity to the dealers

all over western Canada. They have put out a mower for which they have put out three different cutting guards. Surely this company could go a long way to standardize that practice.

Mr. FORSYTH: Which one was that?

Mr. HORNER (*Acadia*): I am referring to your Dyna-balance mower. One of the cutting bars was made in Detroit, while another was made in England.

Mr. EMMERT: I can assure you that there must be some mistake, because none of our cutting bars come from the United States.

Mr. HORNER (*Acadia*): Well, I think they came from over there, at least, one or the other did.

Mr. FORSYTH: You are referring to the three-point mower?

Mr. HORNER (*Acadia*): Yes.

Mr. FORSYTH: It is conceivable that if that mower was produced previous to 1954, or even in 1954, there may have been difference sources of bars, but I do not think any came from England up to that time.

Mr. HORNER (*Acadia*): It was in 1956 when I bought it. It is a good mower, but it has created a great deal of headaches to the dealers. The dealer I have been dealing with has one complete grade of knife. They have tried to simplify it a little, but there is still a great deal of room left for further standardization in that regard.

Mr. FORSYTH: In that respect, that particular mower was first designed for forestry work, and not for agricultural use at all. Previous to our purchasing the company we would agree that there were actually five different sets of guards used on it—I think it is five. Some of them were used for a crop of which I cannot recall the name quickly. Oh yes, it was Medina clover, which required a special guard.

Mr. HORNER (*Acadia*): And for that same mower they put out two different knives, yet the holes for the knife sections are one-eighth of an inch apart. A farmer would go in and buy a section, only to find that it did not fit his particular sickle, because the holes were one-eighth of an inch out.

You would think it was for a John Deere machine. There should be standard practice not to vary the holes for the same knife in the same mower.

Mr. PETERS: I have a supplementary question: what relationship for standardization of this equipment do you have with regard to the metric system as compared to our American system? What overall standardization has taken place throughout this industry because of the co-operation to reduce the standards of measurement?

Mr. EMMERT: In reply to Mr. Peters, there was a substantial amount of work being done. And in our own industry in respect to the problem of changing the metric system measurements without our own company, we have no recourse but to handle through our central engineering division. If a part is designed in France, and it has application in Great Britain or in North America, we simply have to transpose from the metric to the inch measurements. From a manufacturing point of view, particularly in the case of a company such as ours which operates all around the world, it would be most desirable to have everything on the metric system. But unfortunately, we as individual manufacturers are not in a position to do that.

Our sales of course, in those countries which are not on a metric system, would suffer drastically if we attempted to introduce it.

The CHAIRMAN: It is now getting near the adjournment time. There will be another meeting in this same room at 2:30. I would like to ask the members to occupy their same seats this afternoon that they now occupy because it would

help our reporting staff. And I would ask those who wish to direct questions in the French language to sit as near as possible to the front, because this would help the translator in translating their questions.

Now, Mr. Horner.

Mr. HORNER (*Acadia*): I have a question on another subject. On page nine of your brief you suggest that Massey-Ferguson prices its products to Canadian dealers at prices no higher than those accorded our American dealers. In other words, you suggest that the Canadian farmer and the American farmer is on the same basis, price-wise.

How does this compare with prices in Great Britain? I am thinking of the Massey-Ferguson 35 which is made and sold in Great Britain, and also sold here in Canada and the United States. Are the prices the same?

Mr. EMMERT: In reply to Mr. Peters and to Mr. Horner, the Massey-Ferguson 35 tractor is made in two versions; one version is made in Great Britain, and another version is assembled in Detroit from components made in Great Britain. For internal reasons we have chosen—and also it is good for the economy of this country—to import our requirements for Canada of the Massey-Ferguson 35 tractors, from Great Britain. This is not the same tractor that we sell in the United States. It has the same engine and transmission, but it is a different pattern, and has certain different, minor features.

Now, as to what the tractors are sold for in Great Britain at the dealer level. I am sorry that I am not in possession of that information.

Mr. HORNER (*Acadia*): I might have asked my question in a poor way: but what are they sold for by the company? Are they sold for the same as they are on this continent?

Mr. EMMERT: As I have said, I am not in possession of the information on what the company charges the British dealer, because they have an entirely different method of distribution in Great Britain than we employ in North America. Secondly, by far the majority of tractors produced in our Great Britain factory are exported and not sold in the home market. I am sorry that I cannot give you the figures.

Mr. KORCHINSKI: Could it then be said that there is a different price for each country outside of the North American market?

Mr. EMMERT: I think it would be true to say that if you were to select any article that you might want to select, I am afraid you would find a different price in almost any country.

We consider that our policy of selling to the Canadian farmer at prices—or rather to the Canadian dealer—at prices no higher than to the American dealer is a very progressive policy. But as to dealers in France, Great Britain, Algeria, Brazil, or India, what they may pay really has no bearing on market conditions within North America.

Mr. KORCHINSKI: But your over-all operation has a bearing on the sales in other countries. The overall net profit of the company has a direct relationship to the sales in those countries, and the prices you receive from those dealers.

Mr. EMMERT: I think I could assure you that the prices our company charges to dealers in the other 140 countries of the world where we do business, are set by much the same sort of policy and principle we have enunciated here. The market sets the price. Our costs are secondary. This I know, from personal experience. The dealer in India would pay a substantially

higher price for a tractor than would a dealer in Canada. I know that. What the Great Britain dealer pays, I do not know. But I know this: that he pays for a Massey-Ferguson product what that product is worth in the Great Britain market as compared to its competition.

Mr. KORCHINSKI: Is it because of transportation costs added on to it or is it different policy, a different rate that you set for those countries?

Mr. EMMERT: No, the policy as I attempted to enunciate, is identical, but we are hemmed in by the requirements of the market, by competition, and by stock pricing policies. There is no question about that. And it applies to other private enterprise business as well.

Mr. SMALLWOOD: Have you any comparison with the price to you of producing the Massey-Ferguson 35 tractor in Canada as compared to producing it in Great Britain?

Mr. EMMERT: We do not produce tractors in Canada. The comparison would be as between production in the United States and production in Great Britain. Because of the very high incidence of components from Great Britain that go into the tractor assembled in Detroit, the basis of costs would be very nearly the same. From a purely selfish point of view we would be better advised to import tractors from the United States—that is to say, this would enhance the manufacturing volume of our particular operating unit in North America; but for considerations that I have mentioned, we have chosen to import our “35” requirements for Canada from Great Britain.

Mr. HORNER (*Acadia*): Why is there a different price for the tractor which comes directly from Great Britain than there is for the tractor which comes directly from Detroit? I am thinking of the position in western Canada of a dealer who received a tractor directly from Great Britain. It had a different price, plus the freight to the dealer than did the one coming from Detroit.

Mr. EMMERT: I am not aware that identical tractors were shipped to dealers in western Canada from both sources.

Mr. HORNER (*Acadia*): I think that has happened.

Mr. EMMERT: If it has happened it would be a very unusual circumstance. Here is our line of tractors. These are the tractors which Massey-Ferguson sells in North America.

We happen to be talking about a model 35 which was produced in Great Britain as well as in Detroit. They are also going into production in Brazil, and in India, with an equivalent model; and it will also be produced in France. But they all have some variation. Model 50 is a variation of model 35, and it is produced only in North America and it has a somewhat different application in the field. Number 65 was originally designed primarily for the North American market, but it is now earning some favour in Europe and Great Britain. Your domestic production for this tractor is in Great Britain, but the whole North American requirement comes out of the Detroit plant.

Mr. FORSYTH: The number 65 was originally designed primarily for the North American market. It is now gaining some favour in Europe and Great Britain and they are beginning production of this tractor in Great Britain. However, all our North American requirements come out of the Detroit plant. It is only in the case of this small tractor that we use imports from Great Britain to Canada.

The CHAIRMAN: Gentlemen, we will adjourn now until 2.30 this afternoon. Thank you.

AFTERNOON SITTING

MONDAY,
May 1, 1961

The CHAIRMAN: Gentlemen, the question arose during this morning's proceedings as to the printing of some of these charts that were displayed here this morning. In order to print them as appendices I believe a motion from the committee is in order, requiring a mover and a seconder.

Mr. KORCHINSKI: I so move.

Mr. SOUTHAM: I second the motion.

The CHAIRMAN: You have heard it moved and seconded. Is there any discussion? It will take quite a number of days to print the proceedings for today, so you may not have your copies of them for some time. Is the committee agreed to the motion?

Motion agreed to.

Before lunch time I believe Mr. Korchinski was asking some questions.

Mr. HORNER (*Acadia*): Mr. Chairman, in order to make the committee proceedings much easier to read and understand, I think it would be wise for the chairman to regulate the questions so that they deal with certain aspects of the brief first, and then go on to other aspects. That will make our questioning in the committee proceedings have a certain amount of continuity.

The brief is broken down into six parts, and even section A is broken down into six parts. Perhaps we could deal with those sections, and thereby arrive at a better conclusion.

The CHAIRMAN: Are there any other comments on how we should proceed?

Mr. CLANCY: I would like to second the suggestion that has been made. We have already covered the general section A, and I suggest that the committee's questioning be confined to the various appendices as they arise. Let us start with appendix B, and then carry on with C, D, E, and F.

The CHAIRMAN: I understood it was the wish of the committee that we review part A, the general statement, and certain aspects that have arisen therefrom.

Mr. CLANCY: That was not my suggestion. We have already covered section A. Now we are going to move on to the various appendices, and I suggest the committee confine its questions first to Appendix B.

Mr. KORCHINSKI: My question has reference to a question asked earlier. How am I going to go to section B from there on?

Mr. HORNER (*Acadia*): Your question follows under section B "sales, prices, financial aspects and profits".

Mr. KORCHINSKI: I think we ought to leave it to the chairman to decide.

The CHAIRMAN: I think we should devote a little more time to section A, and then go on to section B.

Mr. HORNER (*Acadia*): Section A is a summary of the rest of the brief.

Mr. CLANCY: The details are to be found in the appendices.

The CHAIRMAN: Mr. Korchinski will continue now, because he had the floor before the luncheon adjournment.

Mr. KORCHINSKI: My question relates to a reply that was given by Mr. Emmert, who suggested, after I inquired, that he did not know what the return or what price the dealer would have to pay to the company, if he were in Britain. He also suggested that he knew it was higher in India.

Before we started in with this committee some time last fall, I wrote to the company and inquired or asked for a comparison of the different items, such as tractors, harvesters, combines, bailers, and so on, in the different countries of the world.

I thought I would like to see a comparison. I have not received a reply and I wondered if there was any objection to having this type of information supplied to the committee, and if so I would like to know why.

Mr. EMMERT: Mr. Chairman, with your permission, our group would like to stand when they reply, so that people, perhaps, at the back of the room, might actually see who is talking.

Mr. KORCHINSKI is quite right. I replied, as he indicated, earlier this morning. The plain fact is that I cannot tell you what the Great Britain dealer would pay for a model 35 tractor.

Mr. KORCHINSKI: I do not want to know the exact price, but I would like to know if there is a difference? Is the price higher or lower to the Canadian dealer as compared to the United Kingdom dealer?

Mr. EMMERT: The only thing I would be sure of is there is a difference, because it is in a different market.

Mr. KORCHINSKI: Which way would it be, up or down?

Mr. EMMERT: I do not know.

Mr. HORNER (*Acadia*): Perhaps the comptroller or some of the other officials here might know.

Mr. EMMERT: I wonder if Mr. Penney has any knowledge of this?

Mr. N. H. PENNY (*Comptroller*): No. Our responsibility is within the North American group. I am afraid I do not have the other figures. I certainly do not have them here.

Mr. KORCHINSKI: Would you have any objection to supplying them to the committee at a later date, when you get that information?

Mr. EMMERT: Did you address a letter to our company?

Mr. KORCHINSKI: Yes, I did.

Mr. EMMERT: May I have a copy of it before I leave today, and we will reply to it in appropriate terms?

Mr. KORCHINSKI: Very well. If we could have that information supplied for the committee, it would do just as well.

Mr. EMMERT: We will do it as promptly as we can. I do not know if we have all the price lists in Toronto.

Mr. HORNER (*Acadia*): According to the 1937 inquiry, at that time the company stated that they had one price which they applied the world over, taking into adjustment any freight and so on. I think we should have it established as to whether there is a different price for every continent, and if so, the fact should be established.

The CHAIRMAN: Mr. Emmert has said that he would endeavour to provide that information as soon as possible.

Have you a question, Mr. Korchinski?

Mr. KORCHINSKI: No, Mr. Chairman; I have no further questions at this time, just as long as he can get that information for us.

Mr. HORNER (*Jasper-Edson*): Mr. Chairman, I have a supplementary question in connection with overseas pricing.

The CHAIRMAN: Proceed.

Mr. HORNER (*Jasper-Edson*): Did I understand Mr. Emmert to say that the company would charge, then, what the market would stand? This is what he said this morning. He said it would depend on the market.

Mr. EMMERT: Mr. Chairman, I am sorry, but I did not get the member's name.

Mr. HORNER (*Jasper-Edson*): Horner.

Mr. EMMERT: There are two of them.

The CHAIRMAN: No, there are three.

Mr. EMMERT: Mr. Chairman, I do not think that we quite said that we would charge what the market would stand, but that our pricing was guided by the demand and the market. I suggest there is a substantial difference between what we said and what you just said to us.

Mr. HORNER (*Jasper-Edson*): I have some friends who went to Scotland last year. They told me they could have bought an M.35 tractor over there cheaper than at home, and saved themselves between \$300 and \$400. In buying it from a dealer over there, taking into account the freight rates and everything else, they could have had it shipped home, with a savings to themselves of \$300 to \$400. If such is the case, I suggest to you that there would be an opportunity for an independent machine agent in Canada to go over to England and buy these tractors and have them shipped into Canada, because there is no duty. We have free trade.

Mr. EMMERT: Mr. Chairman, let me recite an incident which has had our general sales manager, Mr. Forsyth, fairly well wrought up in recent months. In fact, an individual is attempting to do that on the west coast.

Mr. HORNER (*Acadia*): Good.

Mr. EMMERT: Actually, I think, this entrepreneur was in the state of Washington, but he was attempting to sell these tractors in the province of British Columbia. For the past several months, I have not seen any more indication of worry on the part of Mr. Forsyth. I asked Mr. Forsyth on the way down what had happened to this worrisome thing out west. Apparently the man found it was an uneconomical proposition. At any rate, he no longer is importing tractors for re-sale.

However, there is absolutely nothing to prevent any entrepreneur from buying any tractors anywhere in the free world and importing them. All of you in this room know that there are a great many importations being made into Canada and all of us who are intimately concerned with the industry know that many of the importers are in business for a very short time.

The CHAIRMAN: Have you a question, Mr. Gundlock?

Mr. GUNDLOCK: In all deference, does the same thing apply to the dealer in Washington as it would to a dealer in British Columbia? Does the United States add some duty to British products which, perhaps, Canada would not?

Mr. EMMERT: I cannot answer that question. Have we any knowledge of the tariff in the United States in connection with British products?

Mr. ALEXANDER: It is preferential to Canada.

Mr. EMMERT: I think the answer would be that there is no tariff on agricultural products from Britain to the United States.

Mr. GUNDLOCK: In connection with agricultural machinery?

Mr. EMMERT: I know that is the case, at least in respect of components which we import from our Great Britain factories to Detroit.

Mr. HORNER (*Acadia*): In other words, what you are saying is that the price in Great Britain bears a direct relationship to the price on the North American continent, because, if it were not profitable, this fellow would start up again in British Columbia.

Mr. EMMERT: I do not mean to imply that we price in North America with the British price list in front of us. By no means do we do that.

Mr. HORNER (*Acadia*): Could you give the committee some idea as to how you arrive at the prices on the North American continent?

Mr. EMMERT: Yes. That is not an involved situation.

First of all, we attempt to ascertain what competitive products are being sold for. We then attempt to ascertain whether a competitive price on our part would allow us to cover all of our costs of doing business. If they do, so much to the good. However, if that competitive price does not, then we feel we have to take steps to adjust our cost within that competitive structure.

The CHAIRMAN: Have you a question, Mr. Korchinski?

Mr. KORCHINSKI: I have a supplementary question. For example, you did have a product which no other competition was offering—and I am thinking of the original self-propelled combine. You had a market for that particular type of product. In that case, you had no other comparison to make. In a case like this what would be your guiding factor?

Mr. EMMERT: I cannot answer what is really a hypothetical question, because that situation does not exist.

Mr. KORCHINSKY: But it did exist in the past.

Mr. EMMERT: Yes, perhaps you are right to a degree. However, I do not know what the pricing policy was, then.

Mr. CLANCY: Massey-Ferguson is an integrated company with world-wide responsibilities. Do you sincerely believe that, by bringing the British components and the British tractor in from Great Britain, you are selling to the Canadian farmer a product cheaper than if it was brought in from your tractor set-up in the United States? It has been pointed out this morning that in a free trading market in North America the competitive position is based on wages, freight rates, and transportation. I am not interested in your accounting system. I know that taxes vary in different countries. However, by bringing in your Massey-Ferguson 55 from Great Britain, does that actually mean you are able to provide competition in the Canadian market at a better price than if you brought it in from the United States? Aside from the fact that it is a free trade area, we know we have sales tax and various other things. The third question is: is this leeway given Massey-Ferguson used as dealer incentive, or is it passed on?

Mr. EMMERT: With three questions before us, I think we should start with number one. Would you restate it?

Mr. CLANCY: Does the company, as an integrated world-wide company, believe that by bringing in the 55 tractor from Great Britain, and by bringing your components into the United States, it is assured of a competitive position? In other words, if you had to manufacture entirely on the North American continent would you be out of a competitive position for the quality of goods you are supplying?

Mr. EMMERT: To begin with, I would like to be sure we understand each other in respect of terminology. The only tractor we import from Great Britain on wheels is the model 35.

Mr. CLANCY: I am sorry.

Mr. EMMERT: We assemble that same tractor in Detroit largely from components which we bring from England. We are certain that as an integrated world-wide company it is to the customers, the dealers and our own benefit to use that method of production; for example, to centralize in one area to the greatest degree possible. First of all, we have the well known advantage of volume of production. Secondly, we can afford more sophisticated tooling and so have better quality. Thirdly, we carry less inventory by doing it in that way. These are economic advantages which, if they did not accrue to us, would cause us to be less competitive in the Canadian market.

Mr. CLANCY: In other words, as an integrated company you believe your competitive position in that particular model is based on the fact that you are producing it in Great Britain and importing it here, and this is a two-way trade; they buy our wheat and we buy their machinery.

Mr. EMMERT: You do not have to go into another product such as wheat. In our Toronto works, for example, we produce all the cranks used in the combine everywhere. This is because we have a very sophisticated tooling situation in Toronto and could not possibly afford to duplicate it elsewhere. We could not afford the impact of the costs of doing cranks another way elsewhere, and we get better cranks doing it this way. Our world-wide combine engineering is centralized in Toronto. This flows both ways. Only this year we produced 120 large dieselized combines in our Toronto works for sale in the United Kingdom and France. That is an advantage of being an integrated company. The marketing people in the United Kingdom and in France do not know whether or not this particular combine will strike the fancy of the buyers, so it made very good sense to produce them in Canada in this instance and ship them over there. If it becomes really a satisfactory item, and there is a great market for it, I have no doubt that in later years they will produce them in England and perhaps in France.

Mr. CLANCY: In your brief you have already put forward the fact that your combine production was based in Canada and you were using the large North American free market because we had a certain advantage in hourly rates; maybe we were a little bit out on transportation and in order to compete in this market you had to have this differential. We will not go into the details of freight or anything else, but the fact is you can assemble this tractor using British components and in your opinion make a saving which eventually is being passed on to the consumer.

Mr. EMMERT: As I recall it you asked directly whether or not such saving, if any, would accrue to the benefit of the dealer or to the customer.

Mr. CLANCY: No. I will rephrase that. What I am asking is: is the saving used for promotional work, or is it based on and used as a direct saving to the consumer?

Mr. EMMERT: We would prefer, of course, the latter, because then we would attract more customers through a more advantageous pricing. That, of course, is our very objective. I might also point out that without such savings as we are able to engender through being an integrated company we would be less competitive and our competitors would enjoy more of the market. Whether we like it or not we are not number one in volume around the world.

Mr. HORNER (*Acadia*): What percent of the Canadian market do you envisage your company has?

Mr. EMMERT: We do not have accurate figures to determine that. We are really bound to the D.B.S. figures, and you find mixtures in them. We like

to feel that in the Canadian market we are number one, but perhaps another of our competitors would like to argue about that. I suggest it is just about that close.

Mr. HORNER (*Acadia*): You would not have a guess as to the percentage?

Mr. EMMERT: No. I would not be prepared to do that, because of the invalidity of the figures available to us as compared to what we actually sell.

Mr. McINTOSH: I think my question is supplemental to what Mr. Clancy asked. However, I would like to preface it with this. Our terms of reference are to inquire into the price of farm machinery, I suppose with a view to determining the reason for the apparent high cost to the purchaser. I am very interested in your statements in part A of your brief, although it could be taken under part B. The first statement starts at the bottom of page 4:

...in recent years, the prices we have charged for our products have not covered costs and provided a fair capital return.

The second statement in which I am interested is about a quarter of the way down the page:

Our biggest cost elements are steel, labour and transportation; and over none of these have we any significant control.

I believe in one of the questions asked, one of the reasons for manufacturing in another country was mentioned as being the contribution it may make to lower costs of the products, in that you have a larger volume and have less inventory to handle. A previous witness whom we had before us, when the question was asked of him what do you contribute the high cost of machinery to, said there were three factors. He outlined them very much as you have, but he said the cost of material, the cost of transportation and the cost of labour. I am wondering if you are able to obtain steel in say one of these foreign countries cheaper than in Canada; also if you are able to obtain labour in one of these foreign countries cheaper than in Canada and the same with transportation. In view of the tariff easements, as you may wish to call them, on imports of farm machinery in Canada which you manufacture in foreign countries, will that make the cost of the finished machine cheaper to the Canadian purchaser?

Mr. EMMERT: I am not sure I understand the question. Could you be a bit more explicit, please?

Mr. McINTOSH: First of all, are there any other factors which affect the profit you say you are not getting besides the cost of material, the cost of labour and the cost of transportation, that we should deal with in this committee in order to find out the reason for the high cost of machinery to the purchaser. That is one question.

Mr. EMMERT: I would have to reply, of course, in the context, that from our point of view, as we have attempted to explain here, we do not consider the cost of machinery to be high; period.

Mr. McINTOSH: The purchaser does, otherwise this committee would not be sitting.

Mr. EMMERT: It has risen, that is true. I think there is a very grave danger that if these elements of cost which you have enumerated are not controlled we will find this country without industry in the agricultural equipment field. We have said that aside from the lower labour rates that the Canadian industry enjoys we would be better off to be located in United States because of the transportation hazard which we face, operating as we do. There is nothing at all in the current laws to prevent any invader from invading this market—at what price I have no idea. They might bring it in. I can tell you with certainty that labour is cheaper in Japan, for example. Material possibly is cheaper also.

You must weigh that against the additional transportation distance they have to cover. We are no different from other Canadian industries in the sense that we face a very grave danger if these costs remain out of control. There is one other element of cost that anyone attempting to compete with our established companies would have to become very aware of; that is the initial capital cost to provide the basic facilities that Massey-Harris and Massey-Ferguson have provided over the last century, and that our good competitors have provided over almost the same period of time. People will look at the evidence before they put up the amount of capital money required, and if they look at the returns of the companies already established they will see how low they are.

Mr. McINTOSH: I think you have answered my second question indirectly. However, I would like to put it again just for the record. Can you obtain materials in other countries cheaper than in Canada? Can you obtain labour in other countries cheaper than you can here? Is transportation cheaper in other countries?

Mr. EMMERT: We will answer that one by one. Certainly it is possible to obtain labour cheaper in other countries. It is possible to obtain steel cheaper in other countries; that is the principal material. So far as transportation is concerned, it makes no difference whether you can haul a combine for a mile in Great Britain for less than in Canada, because it must be hauled in Canada to get to market.

I cannot answer your question significantly.

Mr. NASSERDEN: What percentage of the total price of a machine does labour, steel and transportation constitute?

Mr. EMMERT: This is a very difficult thing to answer. As a matter of fact it cannot be answered as a generality.

Mr. NASSERDEN: I am aware of that. The reason I asked this question was I was wondering about advertising costs. Is it one of the great costs of doing business today?

Mr. EMMERT: The cost of advertising in our view is a relatively modest cost in relation to the benefits that it brings. We are no more anxious to spend money uselessly on that media than we are on any other.

Mr. KORCHINSKI: Mr. Chairman, may I ask a supplementary question to what Mr. Nasserden asked here? I think it will be relevant to the conclusions we reach in this committee if we could possibly get a breakdown from your company indicating what is the percentage of cost, say, of steel, transportation or labour, which have gone into your over-all operation over the past ten years? I know there will be others who will be presenting perhaps a different point of view. For example, I might suggest that labour might say that it does not contribute as much towards the over-all cost of the machine. You might have a different point of view, and I wonder whether, for relevancy, you could not supply us with that type of information.

Mr. EMMERT: I will have to reply that that is a practical impossibility to do as you have suggested. I will tell you why. Nothing is static in this business of building farm equipment. For example, today we may build in our own factory stamping A. We may find it advantageous for a number of reasons in the forthcoming production year to buy it outside. We may choose to buy it in Canada or the United States or have it furnished to us from one of our associated companies in Europe. There is a continual interplay of production, particularly in our company, which is an integrated world-wide operation. It would therefore be a practical impossibility to tell you, with any accuracy, what the relative percentage of labour, material or any other item of cost you might want to mention, have borne to the total sales dollar in the last ten years.

Mr. KORCHINSKI: In other words, what you are suggesting is that you have no idea what labour is really costing you.

Mr. EMMERT: I am afraid that is a little far-fetched.

Mr. KORCHINSKI: If you cannot compare it within a few percentages—

Mr. EMMERT: No, in replying to your original question, which I think I understood, I thought I provided you with a reasonably cogent answer. Do you have another question?

Mr. KORCHINSKI: If, for example, in 1950 your total labour cost was, say, 35 per cent of over-all expenditure, and your steel cost you 40 or 50 per cent, and the balance was your other expenditure, this is the type of thing we want, because I think it is relevant to what conclusions we come to. We want to know how it has actually been brought about. For example, as I said, labour might have been 35 per cent in that year and because of the increases it may have gone up to 50 per cent. You may also have had a reduction in staff, which may have brought it down to 20 per cent. These are things which I would like to have answered for my information.

Mr. EMMERT: I can appreciate why you would want them, but I must repeat that it is a practical impossibility.

Mr. McINTOSH: If you cannot do it, no one can.

Mr. HORNER (*Acadia*): In the annual report the company states the marketing expenses and the general administrative expenses. I cannot see why it would be impossible for them to state their total payroll costs. This does not seem to me impossible. If they can state their marketing expenses of \$46 million, surely they should be able to state their total payroll costs.

Mr. EMMERT: That was not the question.

Mr. HORNER (*Acadia*): Can you give us your total payroll costs from 1950 to 1960, and the number of persons employed?

Mr. EMMERT: Related to what?

Mr. McINTOSH: To the amount of goods produced.

Mr. HORNER (*Acadia*): It does not have to be related to anything.

Mr. EMMERT: We produce a different kind of goods each year. If we had a constant production your question would be valid. You can then ascertain what you want to know, what percentage of the sales dollar goes to labour. But we are not selling apples all the time—we continue to mix them up.

Mr. HORNER (*Acadia*): The only thing we can get is a general appraisal, but if we had the number of persons employed in 1950 and the total payroll cost of employing them, it would not matter whether in 1950 they were making mostly combines and in 1951 tractors—it would average out. This is all we can assume. We would then arrive at the cost.

Mr. EMMERT: Those are exactly the kind of assumptions we would not want to be associated with, because there are too many variables.

Mr. HORNER (*Acadia*): In the 1937 report Massey-Harris Company tabled the exact cost of labour, management, factory burden, and so on, in the breakdown of several factories.

Mr. EMMERT: This was Massey-Harris Company.

Mr. HORNER (*Acadia*): I realize that, but all machinery companies did the same thing, and I cannot see why it would be impossible to do it now.

Mr. EMMERT: This is quite a different set of circumstances a quarter of a century after the report was written. We are a different company.

Mr. HORNER (*Acadia*): I realize that. I still feel that if you can table your marketing expenses for the year, \$46 million, you should be able to arrive at your payroll costs for various years.

Mr. EMMERT: There is no question in the same context as the annual report, that a world-wide figure could be derived for labour costs, but I assure you it is absolutely meaningless. There are so many variables in the thing. Our mix of production, our decisions, all those are forced upon us. Mr. Chairman, with your permission, I would like Mr. Denton, director of personnel, industrial relations, to expand a bit on these variables that makes these comparisons we are talking about year to year meaningless.

Mr. RAPP: How do you arrive at the price of the finished product, if you have no knowledge of your labour and material? How do you arrive at a set price of the finished product?

Mr. EMMERT: Mr. Rapp, I did not say that we did not know what the cost of labour was, and the material, on any given article under an assumed set of circumstances. We, as practically all other major manufacturers, arrive at a standard cost. The first thing we have to do is to arrive at how many units we hope to sell. If we happen to be fortunate and sell that many, then our standard costs, if all of our other estimating has been right, come out somewhere near right. If we are unfortunate, they do not.

Mr. RAPP: This would not help the committee to come to a conclusion as to whether the prices of machinery and farm implements are higher this year than they were last year if we cannot get these factors that contribute to the price and can compare it from year to year.

Mr. PETERS: Mr. Chairman, would Mr. Emmert be willing to supply this for a given number of machines? An investigation in the United States used one particular binder a number of years ago. They have used tractors and they break it down to the management section of labour and labour costs, steel costs, production line costs and the average factors that go into the making of the tractor, so the committee could arrive at what the transportation cost per unit were, the labour costs in relation to such transportation on a given unit and what the management cost was, what the advertising cost of a tractor was, and so on. Unless we come to some conclusion on a specific point—I might be in agreement with you in relation to the over-all policy of the company but I am not in agreement that your company is not large enough that they operate by a cost accounting system which will give you those figures on a tractor, because in making a modification you would have to have cost accounting of that particular unit to arrive at the modification of any change you make in it. This would affect, as you said, your sales. It would have great effect on whether you upped the price or lowered it. You do not wait until the end of the year to find out if the company made a profit. You must have a cost accounting on each piece of machinery. Would it be unreasonable to ask for three or four varied pieces of machinery that would be fairly representative in the committee's mind to Canadian agriculture, or that you could work out this cost accounting on, I would presume, a combine. A great deal of interest in this 35 Massey-Harris tractor was shown and we could probably apply something else for the small farmers that would give an indication of this cost accounting side.

Mr. EMMERT: Mr. Peters, I certainly did not intend to imply that we do not have a cost accounting function. We do. Any manufacturing concern of consequence has. What I am saying however, is that any breakdown of assumed costs on any given machine is suspect, and it cannot be otherwise. It is a completely arbitrary art or science, if you will, generated by people of Mr. Penney's and Mr. Kingsmill's profession. It is not exact; we make an arbitrary assessment of capital cost of our facilities to a given line of machines. You may say to me that that is wrong; all I can say to you is that is the way we do it and our auditors accept it on that basis. I cannot see that this line of questioning, Mr. Chairman, can be meaningful. Our system

of tabulating costs, which is really what it amounts to, is probably somewhat different from our major competitor's system. With what are you going to compare it? Let me repeat once more that if we built apples all the time, and the same apples, then these costs become relative and meaningful—but we keep changing them. We do not build the same thing all the time.

Mr. PETERS: You change the price too.

Mr. EMMERT: Sometimes up and sometimes down.

Mr. KORCHINSKI: I would refer you then to IX in B. Here in 1958 you have an amount for recovery from dealers, \$2,053 for the F.E. 35 tractor; in 1959 the recovery is \$1,908. Obviously there was some governing factor which has brought that price down. You must have been able to tabulate the cost of production of that particular line of tractor. You must have an accounting of some sort. If I may refer to your tables presented earlier this morning, we have an indication there. This is all relative, but it does not give us, as I pointed out, an indication of what it is really costing that company in wages that year. It is all relative. It does not matter if the company spent \$50 million, it does not tell us what we want. These are all things that certainly have not given me an indication as to what conclusions we should come to, and it is because of that fact we would like to have a breakdown. Could you give us a breakdown for these two tractors?

Mr. EMMERT: I would not be prepared to, Mr. Korchinski, because there again they have changed from apples to oranges.

Mr. MCINTOSH: What the members are trying to get at is that in one of your statements on page 11 you say:

This is reflected in the fact that farm machinery prices have risen generally in line with the cost of steel and labour.

If we had labour representatives before us, or if we had steel representatives before us, if they gave us the same answer, they would disagree with you that these have not contributed to the high cost of machinery. What the committee is trying to find out is whether you have anything on which to base that statement, that your labour has increased, that your steel has increased in producing a certain article.

Mr. EMMERT: I think, Mr. McIntosh, the data we have provided you with provides clear proof that the cost of labour per hour has increased. There can be no question about that.

Mr. MCINTOSH: The cost of labour per hour may be correct, but it may take half as much labour to produce that same article, and that is the point that labour will put before us. The actual money that the purchaser puts into that machine is no more than it was 25 years ago—unless you can prove otherwise to us.

Mr. EMMERT: I have no doubt that argument may be advanced. The plain fact of the matter is that the cost of labour has increased substantially per hour of labour.

Mr. MCINTOSH: Has automation reduced the number of men required to produce that one article?

Mr. EMMERT: Mr. McIntosh, automation is a very fine word, but it is not applicable to the farm equipment industry. Our runs are too small. I can think of no way to automate a combine line where we produce 8,000 and 10,000 a year in the variety we do.

Mr. HORNER (*Acadia*): Although you say you are a combine production line?

Mr. EMMERT: No.

Mr. McINTOSH: On the same page, page 11, you say:

We are determined to overcome these difficulties by selling higher quality products at fair prices and by giving more and better service.

I think you spend more on advertising. Is that one of the services which have contributed to the high cost of machinery and not, as you say, steel and labour?

Mr. EMMERT: Do I understand that the committee wishes to question the right of the company to engage in advertising?

Mr. McINTOSH: No. We are trying to get at what has contributed to the high cost of the machinery to the producer. Our terms of reference are to inquire into the price of farm machinery. If there is a lower labour content in the production of a tractor now as compared with 25 years ago, a lower price for the material than 25 years ago, then possibly our question would be, has the increase in the price contributed to a larger profit by machine companies—or it could be vice versa—to any one of the others.

Mr. EMMERT: May I suggest that what we are really trying to do is to over-simplify the matter that we are here to talk about. We have demonstrated to you that the cost of an hour of labour has risen, we have demonstrated to you that the cost of a ton of steel has risen. Now, what you are really asking us is how much labour you use to do it as opposed to several years ago. I reply that we are not building the same thing today as we were several years ago. We cannot make a proper comparison, Mr. McIntosh.

Mr. McINTOSH: You may not be using as much material.

Mr. EMMERT: In everything in life we endeavour not to use as much material, because it costs a lot of money.

Mr. McINTOSH: Or a cheaper material?

Mr. EMMERT: We control it to the best of our ability. We try to produce a satisfactory material without deteriorating in quality. In regard to the number 35 tractor, about which we spent so much time talking today, the tractor we are producing today in Detroit is a different article from the one we built two years ago, substantially different. To begin with, the power plant is different. Two years ago we installed a four cylinder engine in the diesel version of the tractor. Today it is a three cylinder engine. We have different ring gears, different pinions, a different fuel tank, different sheet metal, and different controls. This is not a static business to compare along a quarter of a century.

Mr. HORNER (*Acadia*): Because of the change basically from a four cylinder diesel to a three cylinder diesel, would not the labour component of the cost of producing that machine remain relatively constant? If the other factors remain constant, it would produce nearly as much in the case of the four as is produced in the case of the three, as far as the tractor going into that line is concerned.

Mr. EMMERT: Again, Mr. Horner, you are posing a question in the medium I am very sorry I am unable to answer. My inability results exactly from the point you have made. We buy that power plant as complete package. I have not the foggiest notion as to how many man hours go into a four cylinder engine, and how many go into a three cylinder. All I know is what we pay for the engine.

Mr. HORNER (*Jasper-Edson*): Do you feel that goes into the labour?

Mr. EMMERT: To the extent that labour has increased its cost?

Mr. HORNER (*Jasper-Edson*): Do you feel that the man hour to you has increased in cost?

Mr. EMMERT: I gather you mean the equivalent?

Mr. HORNER (*Jasper-Edson*): Do you feel that it has not?

Mr. EMMERT: I gather that it has not.

Mr. MUIR (*Lisgar*): If this is a matter of costs, perhaps we could get to a better pace if we started out on repair parts. One of the great complaints this committee gets is that excessive costs occur to the consumer or user by repair rather than getting a component part of the machine when it is built. I think I cannot tie this to hourly wages. I think it would be better to tie it to a unit cost. If you take a given sprocket, you have, say, three men putting out these sprockets, or, say, one man. You should be able to break down his wage in the cost of that sprocket, if he or perhaps two or three others are the only persons who are making this.

Mr. EMMERT: Mr. Muir, we were informed that the conversation might turn to sprockets, so I have gone to a good deal of trouble to do a little studying and research about that subject. In the first place we do not produce enough of very many sprockets in our Canadian operations to have a man, or some men, all the time making sprockets.

Mr. MUIR (*Lisgar*): For your combine?

Mr. EMMERT: It does not work that way. A machine, perhaps a \$25,000 Bullard machine must be retooled in the course of a production season many times to make a variety of sprockets. Furthermore, we do not have control over the labour force sent into factories to make sure that the same man is working on that machine all the time. Men will be moving along, if there is an opportunity to better themselves or if there is a lay-off. Then our entire force can be disrupted. Therefore, it is a complex thing and not a simple thing to do with repair parts of sprockets. There are a very great many costs, the costs of doing business are very difficult to account for, that go into the repair parts price for a sprocket. We are required to carry a certain number of parts. It varies according to the province. We are required by our own conscience to live within what we think of as our integrity, to carry spare parts. We have—I think this is mentioned in our brief—some 85,000 different and specific part numbers and we have to keep track of them and keep an inventory and attempt to have the right supply at the right time. The parts business is a great guessing game. I wish I knew today, and so does Mr. Forsyth, how many sprockets for any given combine would be required in western Canada during the harvest season. If we knew it we certainly would ship exactly that quantity. All we know is that we will ship either too many or too few. If we have shipped too few, we have to express some more; if we have shipped too many, we have to carry some over and that increases the inventory charges. Sprockets for a machine five or six years old may or may not be anything the same as are produced by a production machine. There may be buying of new material and we may tear down one machine and have a new set-up in the production, and that would mean a completely new handling in spare parts.

Mr. MUIR (*Lisgar*): That is what you attribute the high cost of spare parts to?

Mr. EMMERT: Well, the word "higher", Mr. Muir, is a relative word. Are you comparing it to the cost of a spare part ten years ago?

Mr. MUIR (*Lisgar*): I am comparing it to a part that was put out on the new machines.

Mr. EMMERT: I am not aware that we issued the price list of a new machine broken down by new machine parts.

Mr. HORNER (*Acadia*): It has been said that if you bought all the parts making up a new machine, it would cost five times the price of a new machine. That is what Mr. Muir means.

Mr. EMMERT: Perhaps you are right. It has often been said, but we have not said it.

Mr. HORNER (*Acadia*): Well, it has been figured out by parts men.

Mr. MILLIGAN: Do you have control of mark-up on spare parts?

Mr. EMMERT: The parts pricing starts out with a suggested maximum retail price in accordance with the laws of the land. This is all we are allowed to suggest. A dealer price is then established, and the difference between the dealer price and the suggested retail price varies by classification of parts.

Mr. HORNER (*Jasper-Edson*): And, dealers.

Mr. EMMERT: Not of equivalent volume.

Mr. HORNER (*Jasper-Edson*): That is what I am getting at.

Mr. EMMERT: Any dealer, with equivalent volume, buys at the same price. As a matter of fact, all dealers buy at the same base price.

Mr. MILLIGAN: What is your suggested mark-up?

Mr. EMMERT: It varies from part to part.

Mr. HORNER (*Acadia*): I have a supplementary question to that.

The CHAIRMAN: Well, that will be the last supplementary on this, as I want to get back on our list.

Mr. NASSERDEN: Before we leave that, Mr. Chairman, there was this question in connection with labour, steel and transportation costs, and I am still not convinced that we cannot have that information.

The CHAIRMAN: Could you bring that matter up again? I would like to get back to the list. I already have entertained a number of supplementary questions.

Mr. GUNDLOCK: My question was supplementary to this same question, Mr. Chairman.

Mr. HORNER (*Acadia*): Mr. Chairman, I had a supplementary to Mr. Milligan, and you were going to allow me to ask the question.

The CHAIRMAN: I am saying that we are getting away from the subject, and I want to give every member an opportunity to get in on the discussion.

Mr. NASSERDEN: Mr. Chairman, I see no use in passing over these things. I think we should get one thing settled at a time.

The CHAIRMAN: I will entertain your supplementary question now, Mr. Horner.

Mr. HORNER (*Acadia*): Mr. Emmert, I am going to read a statement produced by the dominion bureau of statistics. This statement was given in evidence before this committee, and I would like to ask you whether or not you agree with it. The statement reads as follows:

For the most part, wholesale prices are increased by 31 per cent to take care of the retail mark-up.

This retail mark-up percentage was obtained from one of the leading Canadian farm implement journals. Is this a relative figure, or is it too high or too low?

Mr. MCINTOSH: I do not think that Mr. Emmert is qualified, as a manufacturer, to answer for a retailer.

Mr. HORNER (*Acadia*): Well, this was obtained from a Canadian farm implement journal and, certainly, they publish their prices.

Mr. EMMERT: Mr. McIntosh, thank you very much.

Are these figures about which you are talking, Mr. Horner, produced by D.B.S.?

Mr. HORNER (*Acadia*): Yes.

Mr. EMMERT: They really are in quite different terms than we are accustomed to talking about amongst ourselves, or with our dealers.

I think you really are talking about the retail method—about the difference between what they pay and what they hope to sell it for.

Mr. HORNER (*Acadia*): Yes.

Mr. EMMERT: And, at this point, I agree with Mr. McIntosh; I am not qualified.

Mr. McINTOSH: What I meant is that it is not fair to ask you that question.

Mr. EMMERT: I am not qualified because our retailer has his own method of marking up his cost. All we do is establish a suggested maximum retail price, and then we establish a dealer price.

Mr. HORNER (*Acadia*): All the dealers certainly have a price list of repair parts. Any time I go in to buy a machine or parts for it, they check through a catalogue, and it may be number so-and-so; then they look over to the price, and it is so much, which is the price I pay for it. It is published by the machine company.

Mr. EMMERT: We do publish a suggested parts price list, but all dealers do not sell at that price, nor have we any way of determining in what instances they do or do not.

Mr. KORCHINSKI: What is the criteria you use in establishing these suggested prices? For example, let us take a crank-shaft. Let us get away from the tractor for a while.

How do you figure out the cost of a unit for sale, if it is a crankshaft, a boxing, or what-have-you? How do you go about that?

Mr. EMMERT: Well, Mr. Korchinski, if I may suggest it, let us talk about how we price an oil filter. I think I could be perhaps a bit more clear for the benefit of the committee.

I refer you to our brief, where we say that our prices are set in respect of the demand and the market. Now, if we were to price our oil filters for our machines at a price higher than that which a customer could buy an oil filter, from another source, we would not sell any.

Mr. KORCHINSKI: That is fair enough with oil filters, but I am unable to buy a Massey-Harris crankshaft from a John Deere dealer.

Mr. EMMERT: That is why I suggest an oil filter and not a crankshaft. If we charge an exorbitant price, in your eyes, for our crankshaft, or exorbitant in comparison with a similar crankshaft from International Harvester or John Deere, you are going to be dissatisfied with our tractor, and you are not going to buy it the next time because you will say it is too expensive to keep up and maintain. Again, we are caught in the millstones of the demands of the marketplace. If we can obtain, in price, that which covers what we assume to be our costs on that, we are very happy.

Mr. KORCHINSKI: Are you suggesting that the price of machinery is what it is because the farmers have been buying it continually?

Mr. EMMERT: Well, I did not beat my wife before I came, and I do not propose to acknowledge that kind of question.

The CHAIRMAN: I think we should get back to the subject. Mr. Rapp, you are next, followed by Mr. Danforth and Mr. Milligan.

Mr. RAPP: Mr. Chairman, on page 17, the brief outlines that from 1944 onward the company has continued to reduce the number of dealers. My

question is this: Has this resulted not only in better service to the customers, but in a savings on a machine, or has only the company had such a savings?

Mr. EMMERT: Mr. Rapp, in answering the latter part of your question first, it is quite evident from our very unsatisfactory profit performance that the company has not benefited particularly from the depletion in the number of dealers. Those steps were undertaken, first of all, because of changed circumstances. You will recall that we recited initially, that, some twenty years ago these people were really order-takers; they did not have any service responsibilities, collect from the farmers or service the accounts. They had a Massey-Harris sign, and if someone wanted to order a piece of Massey-Harris equipment, they took the order. Today it is different. The dealers we have today are intelligent businessmen.

I have a man here, namely, Mr. Forsyth, the general sales manager in charge of Canada, who has more knowledge on this subject than I, and, furthermore, has been in industry through almost this entire period.

Mr. Chairman, would you care to hear from Mr. Forsyth?

The CHAIRMAN: Yes.

Mr. FORSYTH: Mr. Rapp, and gentlemen. Mr. Emmert, although I do not want to correct you, I am sorry to say that I was through all of it. I presume this is the subject of frequency of dealer location of which you are speaking, which is covered here and dates back to 1935. There are many references to different points.

Through these years transportation communication, as stated in the brief, has caused the purchaser to migrate, shall I say, to larger trading centers for his purchases. As we stated at page 14, we made reference to the increased length of normal life and, in that case, it is tractors. What has happened in this: There is a continued demand for a wider variety of services for both older and new machines. Of course, this means that those people who Mr. Emmert has pointed out have to make a much more substantial investment in their business. After studying the matter very carefully over these years, it became apparent that the customer rightfully was demanding better service than a dealership was given. He was demanding better technical service, and a better variety of parts. We found that the only sensible way of doing this was by giving that dealer an area large enough to properly operate in so that he could maintain a better variety of parts, so that when you went in to see him you could expect to get at least the fast moving parts right off his shelf, and at the same time, if he could obtain something like a reasonable return on his investment, he would give the customer better service in the end. As a result, with the thought of better service in mind, we have more strategically located our dealers, and we have made greater demands on them by way of increased inventories of repair parts, increased service facilities, and, of course, all the other things that have been mentioned, such as him being a dealer rather than an agent. Does that answer your question?

Mr. RAPP: No, it does not, because if the company had not received any savings and these savings were not passed on to the customer, well then, the customer or the farmer had to pay much more for repairs in this way because, whereas he only had to go to a hamlet to buy a sprocket for \$3, it now costs him \$2 to go to the place to buy a \$3 sprocket, because it is fifteen or twenty miles away. In this way, the upkeep of a machine costs much more than it did before you actually had reduced the number of agents in a given district.

Mr. EMMERT: May I speak to that?

Mr. Rapp has said already that the record would demonstrate, whatever benefits had accrued, they would not accrue to the profit of the

company. I think it is fair to say that had such actions not taken place, that is to say, if today we still had to service 2,500 dealers, and had to carry inventories in that many places, then the farmers would be paying more for their machinery. It follows that this was an uneconomic distribution set-up which we had before.

Mr. PETERS: What is your arrangement with the dealers in relation to obsolete parts? I understand International Harvester carries an open price list and, as long as the parts are on that price list, there is a period of time each year in which the dealers can send back their stock of any particularly slow moving parts. Do you operate on that basis also?

Mr. EMMERT: I do not know International Harvester's plan in detail, but we have a plan which encourages our dealers to send back such parts. I think it is annually, Bill?

Mr. FORSYTH: That is right.

Mr. EMMERT: Under the plan they are allowed to send back a percentage of parts, related to the volume that they purchased from us. This is done so that the dealer's stock of parts can be kept up to date. That is to say, if a dealer makes a mistake and orders too many of one part we do not want him to be stuck with that. What we want to do is get the spare parts back into the stream of distribution again. However, I do not know what International Harvester's plan is.

Mr. PETERS: How long do you keep parts on a current price list?

Mr. EMMERT: That varies, in accordance with the sale for the particular part. If there is a reasonable movement, and I think today we describe that as being 10 or 15 part numbers per year, then it remains as an item on the current parts list price. If the sales per year fall below a certain level, then it switches from that current parts price list to another parts price list. The length of time that we would carry parts is, therefore, varied by the requirement for the part. It has something to do with the inherent life of the basic machine, how long does the customer keep using it and how long is it useful to him. We carry parts in our stocks today for farm machines which are—how old, Bill?

Mr. FORSYTH: 25 years old. We have some parts for our machines as old as 25 years.

Mr. PETERS: You have a legal requirement that they will be kept for 10 years?

Mr. EMMERT: There is a requirement on the part of certain of the provinces that we keep them for a specified number of years. I think the overriding requirement is the one I mentioned earlier. It is our own conscience, integrity and selfishness because, if we do not provide parts service we are going to lose a customer.

The CHAIRMAN: Have you any further questions, Mr. Rapp?

Mr. RAPP: No.

Mr. DANFORTH: I should like to pose a series of questions to Mr. Emmert and I believe they require only answers of "yes" or "no". They deal more with principles rather than specifics. I think members of the committee have been very much impressed by the fact that your company has 24 factories in 10 countries, and I think we are pretty well in agreement that most of the machine companies today are international in scope. So I presume the questions I pose will deal with all, or most, of the machine companies, rather than with a specific individual company.

Now, you said in your brief, and very frankly, that your company's main objective is to operate at a profit. We can accept that and we can assume that

sound business principles are implemented at all times in the operations of your company. That is the preface to my questions. Since you are international in scope and, in your brief, you state it is difficult to separate profits made on domestic manufacture from profits made on similar goods imported, and you also state that with the movement between Canadian and United States plants it is impossible to separate the profits between plants—at least, that is the impression I got—I would assume from these statements that the business of Massey-Ferguson is operating as an entity, as a big company in ten countries, but it is one company. Am I correct in assuming that?

Mr. EMMERT: Yes, that is true. Massey-Ferguson Limited is the parent company and the United States company, for legal reasons, is Massey-Ferguson Incorporated, but it is a wholly owned child of Massey-Ferguson Limited.

Mr. DANFORTH: Then we are dealing with one company. Now, may I pose these questions? Is it conceivable, due perhaps, to economic losses in one country in an operation of one segment of your company, to have that balanced off in the price of Canadian machinery in the following year? I ask this because the company, as you have stated, is designed to operate at a profit. Is it conceivable that even just a small percentage—no, I want to get down to principles—that a loss in one part of your world-wide corporation's operations could cause an increase in the price of your North American products, within the balance of competition?

Mr. EMMERT: You said you hoped for a "yes" or "no". Perhaps you will not like this, but the answer is no.

Mr. DANFORTH: It is not conceivable?

Mr. EMMERT: Not within the terms of the market in which we operate. It is inconceivable that a loss on the part of an element of our company that operates in, say, Brazil, could affect the price that we could charge in Canada for a given product because, unfortunately, our competitors could not care less whether we are making a profit in Brazil.

Mr. NASSERDEN: But they could be faced with the same proposition as you would be?

Mr. DANFORTH: That is my point—since all the companies are international in scope.

Mr. EMMERT: You, Mr. Danforth, made the statement that all companies were international in scope. I did not disagree with it because that is generally true, but it is another one of those generalizations which needs a little definition. Far more of Massey-Ferguson's business is done outside North America than is done by our competitors. International Harvesters and John Deere are certainly international companies, but they are not internationally dependent to the same degree as we are. Their large markets are here in North America.

Mr. DANFORTH: That leads to a second, specific question. Is it conceivable that a competitive war, in perhaps a new market field where, in order to obtain a market you would introduce your equipment at cost of product or less, would have any bearing on the overall cost of Canadian machinery?

Mr. EMMERT: Mr. Danforth, I would have to give the same reply. The market conditions here establish the price of equipment in this market. If our associates wished to do or take some action elsewhere in the world it does not follow that it affects, either upward or downward, the price of farm equipment in Canada so far as we are concerned.

Mr. DANFORTH: That leads to the very question in which I am most interested. Can we take it from your statements, even on a competitive basis, there is very little difference between the prices charged for tractors by the different companies if the prices were broken down on a horsepower basis?

Mr. EMMERT: I am afraid I do not understand that, Mr. Danforth. Does that go back to something we were talking about?

Mr. DANFORTH: Perhaps I can rephrase my question. Tractors now, instead of being rated as horsepower, are rated as 2, 3 and 4 plow tractors and diesels, and between companies they vary in horsepower from say, 3 to 5 horsepower, or whatever it may be. My question is this: Is it a fact that broken down on a per horsepower basis there is very little difference between companies on the prices of tractors?

Mr. EMMERT: I am afraid, Mr. Danforth, I would have to ask you to define the words "very little". We do not, as you assume, price our tractors per horsepower as related to our competitors. However, we do take into our reckoning the amount of work our tractors will do in relation to a competitor's tractors. We then look to the features which we think are worthwhile to the farmer, and we will adjust our prices in relation to competition for those features. If, for example, our tractor has a foam rubber seat and a tractor of equivalent power manufactured by our competitor is offered with a standard steel seat, we believe we are entitled to more money but, I can tell you, we will then turn around and offer another tractor with a steel seat.

Mr. DANFORTH: Would you be surprised sir, if an estimation were made of all the tractors on the market today and it were broken down to a horsepower basis between, say, a 35 horsepower tractor which you put out and a tractor put out by another company which has 45 horsepower,—would you be surprised to learn that the difference, on a horsepower basis, was, in effect, very few cents?

Mr. EMMERT: In relation to the first part of the question I would have no reason to be surprised because I presume our competitors are at least as efficient as we are. In relation to the second part of your question, if you take the broad range of tractors then I would be very much surprised to find that an 85 horsepower tractor sold for as much per horsepower as a 20 horsepower tractor.

Mr. DANFORTH: I am speaking of competitive tractors, 85 horsepower as against 85 horsepower. Now, I have one further question and I do not want to take up the time of the committee. I believe it has to do with a statement made this morning or, perhaps, it was something in the brief related to the moving of old stock and, by old stock I mean current model stock. I believe standard discount incentive is given to dealers to take a percentage of current stock before a new model is brought in. I believe this is current with one machine company, that it tries to move all stock on hands when a new model is contemplated, or actually is in the process of manufacture. Now, since this is strictly a business, worked on business principles, is it a fact that this is taken into consideration whenever a price is established on a model and that there is, in effect, a margin of profit over and above normal to take care of such a contingency?

Mr. EMMERT: Mr. Danforth, I think you are referring to page 18 where we state:

As a sale incentive, we frequently give our dealers special pre-season discounts which, in addition to stimulating sales, help to stabilize employment in our highly seasonal industry.

Is that not the reference, Mr. Danforth?

Mr. DANFORTH: I can understand that part of it, but it was in reference to the movement of surplus stock of a particular model. Let us say that combine A is being supplanted this year, or is contemplated to be supplanted by

combine B, which is quite different in scope, with a lot of improvements, and that you have a lot of stock on hand. Therefore to reduce your inventory, you are going to give the dealers an incentive to purchase in order to move these combines.

As you have stated, you contemplate the sales in any particular field as to the number of units. Is that not a factor in the pricing of machines? I mean the fact that you cannot establish the number of units?

Mr. EMMERT: No, it is not a factor in the pricing of the machines. But it is certainly a factor in the ultimate profit outcome of the company. If we find that we are overstocked, we must provide an incentive to our customers, to our dealers to move that merchandise. This will have an effect on the hoped-for profitability of the year.

Very often in this industry the companies find it necessary to reserve against the year's operation what they expect they may have to reduce the price next year. It is called the principle of reserve accounting. The principle of reserve accounting is followed in the industry. That has nothing to do with pricing.

We do not put any margin in the initial pricing structure to account for whatever reserve we may have to throw out. That is why we continuously strive to do a better job in the estimate of our requirement position so that it may be distributed properly, and so that they will match the market that exists. There is nothing we can do about catastrophe, drought, and things like that. But we still think there is a substantial amount within this industry to be done to eliminate some of the dangers we faced in the past in respect to other than catastrophes.

Mr. DANFORTH: I have one other question. This has to do with generalities. I certainly do not want to be misunderstood about it, but it is a question I would like to pose for the record.

What reason have we to believe, when you say that prices are set on a competitive basis—what reason have we to believe or what substantial argument can you give us to the effect that since you have stated that labour is an intangible, and that for the steel for the different machines it is not possible to give us a breakdown—what argument can you give us that there is in effect any competition, but an agreement between the manufacturers to establish prices?

Mr. EMMERT: I would not propose to give you any argument except my word. In the first place, it would be a complete contravention of the law of the land. We do not participate in that sort of thing. There can be no argument about it, because I do not propose to argue with the law.

Mr. DANFORTH: That is why I asked. I have been misunderstood. A company as big as Massey-Ferguson, and the other machine companies involved, certainly are not going to do something which would contravene or break the law. We will accept that. But what can you give us as an illustration in the way of there being competition and not combination?

Mr. EMMERT: Perhaps I could point out to you that if all the competitors in a given field built an identical machine, and the prices were reasonably close, then there would be some reason for suspicion. But in fact the machines are not identical. They are different.

I understand there may be some feeling that the machines should have more identical features, and more interchangeability as between manufacturers. But we do not subscribe to that for the reasons which we have set forth.

We are selling different machines. What we are attempting to do is to sell to our customer and prove and demonstrate to him that our machine with its features, at about the same price, is a better machine, and that it will in fact do a better job for him.

Mr. DANFORTH: Thank you, sir.

The CHAIRMAN: Now, Mr. Gundlock.

Mr. GUNDLOCK: Mr. Chairman, we, in this committee, are here to investigate the high cost of machinery in relation probably to former years. Now, in that investigation I find myself wondering how we are going to analyse this thing and to reach some overall conclusions if we cannot have from the machine companies the various cost components contributing to the rise, such as capital costs, depreciation, transportation, labour, and so on down the line.

I would just like to ask Mr. Emmert in view of his remarks how he expects the committee to come to some conclusion if the company itself cannot establish the various component costs, and component relationships? In other words, we are here to find out why, and the reasons for it.

Mr. EMMERT: Mr. Gundlock, as we understood the terms of reference, they stated that the standing committee on agriculture and colonization be empowered to inquire into the prices of farm machinery, and to report to the house thereon.

Mr. GUNDLOCK: All right.

Mr. EMMERT: It does not say the high price.

Mr. GUNDLOCK: All right.

Mr. EMMERT: The terms of reference say nothing about the costs of the industry. It says prices of the machinery. So I can only suggest to the committee that your purpose will be served by comparing the prices of machinery with the prices of other commodities.

I do not think your purpose will be served by attempting to compare the prices of machinery with the assumed cost of the machinery. There you have our financial statement in terms of the royal commission, and we have delineated it to a far greater degree than they did. That is to say, we have taken you right through, over the years, since they left off, and it is obvious that the profit potential in the industry is not great.

I am beginning to feel, Mr. Chairman, that the purpose of the committee is to question the cost element, but this was never in the terms of reference, nor have we prepared anything on that basis. I have assured you that if we had information to give you, it would be meaningless in terms of past years.

Mr. GUNDLOCK: I have one supplementary question. Could you tell us more about what you have to say at the bottom of page 10 of your section B,—could you give us the relationship between this and over-all profit?

Mr. EMMERT: What is that?

Mr. GUNDLOCK: You have some net income figures.

Mr. EMMERT: This is exhibit 10?

Mr. GUNDLOCK: No. I am referring to page 10 of section A of your brief, the net income figures. Would you give me the relationship between income and real or over-all profit?

Mr. EMMERT: Perhaps Mr. Penney would like to describe net income for the committee. Would you like to define it?

Mr. N. H. PENNEY (*Controller*): Net income, as we use it here, is the same as we defined it in our statement. It is income or net after all expenses have been taken, and after income tax has been paid.

Mr. EMMERT: I could refer you to exhibit 11 in section B, where you would find a more detailed tabulation.

Mr. GUNDLOCK: No, really what I am asking for is this: what is the relationship to income? Is it synonymous?

Mr. EMMERT: Do you mean: do we have any way to delude the tax people?

Mr. GUNDLOCK: No. I think you know pretty well what I mean. Is it the same as real and over-all profit?

Mr. EMMERT: Net income and net profit are identical.

Mr. GUNDLOCK: No. I said real and over-all.

Mr. EMMERT: Then you will have to define what you mean by "real".

Mr. NASSERDEN: This 2.7 per cent of the dollar sales, of your total dollar sales—what does that represent percentage-wise to the capital investment of the company?

Mr. EMMERT: Well, let us go back to exhibit 11.

Mr. NASSERDEN: What is the page?

Mr. EMMERT: It is under section B of the brief, the last page of section B. If you take the year 1960, with \$490 million worth of sales and \$201 million of capital and retained earnings, plus \$93 million of long-term debt, the net income for the year, that is to say, the profit after tax, is \$13.1 million.

John can work it out percentage-wise very promptly.

Mr. KINGSMILL: For 1960, six and a half per cent. That is net income as a percentage of capital and retained earnings.

Mr. EMMERT: But you include the long term debt.

Mr. KINGSMILL: It would be a little below four and a half.

Mr. NASSERDEN: In addition to that you pay interest on the investment. The interest on this capital investment is provided in the expenses.

Mr. EMMERT: No; I am afraid not. We are not obliged to pay interest on that amount of money. Our shareholders hope that in respect of that amount of money they will receive a dividend which must come out of the \$13.1 million net profit.

Mr. NASSERDEN: Perhaps I am a little mixed up. Your financial statement lists the debt of the company. This is on page 20. The long term debt is listed there with the interest which is paid on it. I take it you pay that and that is taken out as expenses; is it not.

Mr. EMMERT: The interest on the long term debt is an expense item. The interest on our short term borrowings is also an expense item. There is no interest payable, nor charged in respect of the capital and retained earnings.

Mr. MILLIGAN: Is the 2.7 per cent profit you have after the dividends have been paid out?

Mr. EMMERT: No sir; it is before dividends.

Mr. MILLIGAN: What rate of dividends were paid on Massey-Ferguson shares?

Mr. EMMERT: Currently they are running forty cents per annum per share. That has been the experience for the last two years.

Mr. NASSERDEN: Did any of your subsidiaries show a loss for the year that is shown in this statement?

Mr. EMMERT: Truthfully I cannot answer that. I do not know.

Mr. GUNDLOCK: I will take back all those adjectives I used formerly and still come back to the question. The costs in the price of machinery today here in Canada are appalling. I cannot quite understand why we cannot have the various components which contribute to the price, whether it is high, low or whatever it is.

Mr. EMMERT: I have done my very best to explain to you the practical impossibility of providing you with the kind of information you are hoping to get.

Mr. GUNDLOCK: What you say is that in your cost accounting branch in the company you do not have certain figures for labour, transportation and overall figures concerning your operation. In the overall figures there must be a certain cost for certain things. Otherwise, how do you arrive at your overall cost?

Mr. EMMERT: True. I suggest to you once more that those figures would be absolutely meaningless in the context of the price of Canadian farm machinery.

Mr. GUNDLOCK: I accept the fact that you are a world-wide organization. What is it in a world-wide sense?

Mr. EMMERT: There I must refer to the terms of reference.

Mr. HORNER (*Acadia*): Surely the committee was ordered this year to inquire into all such matters that may be referred to it. This year in our reference we were asked to look at the cost of farm machinery. In inquiring into the cost of farm machinery surely it is the committee's duty and main business to find out why machinery costs are as high as they are.

Mr. GUNDLOCK: Or as low as they are.

Mr. EMMERT: Or just where they are.

Mr. HORNER (*Acadia*): Yes. Surely it is true we must know what makes up the cost of farm machinery in order to arrive at any accurate study of the question.

Mr. EMMERT: Mr. Horner, we have demonstrated to you that our total costs come within that much of our total income.

Mr. GUNDLOCK: I do not care if it goes down below.

Mr. HORNER (*Acadia*): You publish your annual report. In arriving at this year's statement you have the cost of goods sold, roughly \$390 million. Perhaps at a later date you could provide us with what goes in to make up that \$390 million.

Mr. EMMERT: In the cost of goods sold?

Mr. HORNER (*Acadia*): Yes. Perhaps you would provide the committee with that information at a later date.

Mr. EMMERT: I would be quite prepared to advise the chairman if that is possible.

Mr. HORNER (*Acadia*): Further down in the same statement I see that you have attributed to direct depreciation and production tooling a cost of \$18 million for 1960. Surely you always run a reasonable cost analysis of your business. Even in your further statement to my question as to how you arrived at the costs in respect of selling prices you said you keep in mind the competitive products and what prices they are selling at, and then set prices which will cover the cost of doing business.

M. EMMERT: Hopefully.

Mr. HORNER (*Acadia*): I wonder how you arrive at the cost of doing business. Take your new tractor of the past year or so, the MF 55. Here was a new tractor only made for your North American market to start with. How did you arrive at the price of that machine?

Mr. EMMERT: In the first instance the machine was intended to be designed to be competitive price-wise with tractors already marketed and merchandized by International and Deere, and so on. There had to be an estimate made by our company as to the volume of the machines we might produce, and then from that estimates as to the capital cost for machinery, the capital cost for tooling, the estimated cost of labour, material, and all the components which go into it. However, lots of things happen in that time.

Mr. HORNER (*Acadia*): I just used this tractor as an example, because it is a new product. In coming out with this tractor you have taken into consideration the competitors' prices. You feel you can put out a tractor price-wise which is competitive. In taking up an analysis of a proposed tractor what happens, for instance, in analyzing your cost of that tractor if your price is not competitive? Do you still go ahead with production?

Mr. EMMERT: We are faced with just that sort of management decision day in and day out. The fond hopes which we put together when we start to design a plan to market a new product very often go astray. We then really have three options. We can say, well we will extend the period of time in which we hope to sell this machine and attempt to recover costs over a longer period of time. We can say we must now go back and redesign the machine in an attempt to take costs out, say in the form of features or weight, or something like that. Or, we can say that as our sales with new products in the last four or five years are not competitive, we will get out of this business.

Mr. McINTOSH: Could I say this. In respect of retail farm machinery the D.B.S. index has progressively been increasing, much as your M-F index has. Do you take into consideration the gradual increase in D.B.S. figures and apply it and say that the trade will stand that much more this coming year, in arriving at your costs?

Mr. EMMERT: No, we do not, sir. The D.B.S. figures come out late, to begin with, and they would be of no value except as history. I think all they reflect is the same set of circumstances impinging upon all our competitors, as well as upon ourselves. That is all they do.

The CHAIRMAN: Gentlemen, the question of our terms of reference arose this afternoon. May I remind the committee, and also our witnesses, what the order of reference was. I shall read the full text of it. I am reading from Hansard of March 14th, 1961:

Resolved that the standing committee on agriculture and colonization be empowered to continue its inquiry into the question of prices of farm machinery as recommended by the said committee in its fourth report presented to the house July 28th, 1960, and that the committee's minutes of proceedings and evidence with regard to this inquiry at the last session be referred to the said committee.

I want to read to you at this time at least part of the fourth report.

The committee recommends

(2) that the ministers of the different government departments concerned, instruct their officers to offer every assistance to the persons designated by the committee to procure and compile all available facts regarding farm machinery prices.

Gentlemen, we are endeavouring to find out all available facts in connection with farm machinery prices.

Mr. GUNDLOCK: Does that apply only to departments?

The CHAIRMAN: No, to the whole committee.

You are next, Mr. Smallwood.

Mr. SMALLWOOD: Mr. Chairman, I would like to move to exhibit No. VII and discuss the prices of these combines. We might get some answers in respect of this exhibit. I note here a list of prices. In 1960 I see you have recovered from the dealer \$5,673. That combine, in Canada, is selling for nearly \$9,000. Are you intimating that the dealer is getting the difference?

Mr. EMMERT: Would you care to comment on this question, Bill?

Mr. FORSYTH: Mr. Smallwood, I do not have a price list with me. That is a suggested retail price list. However, those prices would be for standard equipment. The model to which you are referring is a super 92 combine. In this case, it is f.o.b. Toronto. That is where this combine is priced. This would be the net payment, under settlement by the dealer, for that machine, whereas when you speak of a machine selling for \$9,000, or in that neighbourhood—\$8,500 or \$9,000, that would include your freight charges to either the dealer or the branch, then the branch to the dealer, according to how he got it, set up charges, if he made them, and the dealer's margin of profit. That would be the pluses which would go onto that figure.

Mr. SMALLWOOD: The dealer's margin of profit?

Mr. FORSYTH: Yes. This one you are looking at here is f.o.b. Toronto.

Mr. SMALLWOOD: Yes.

Mr. FORSYTH: Then, too, I presume that normally when you are speaking of a machine in the neighbourhood of \$9,000, you are including a pickup with that, as well as a rotary screen. I think lights are standard. As I say, out of that difference the cost of the other items,—these components to which we refer as extras—would be added to this price, the dealer's cost thereof, before you would have a fair comparison with the delivered price, say at your home. This is f.o.b. Toronto. Whatever that difference might be would be what the dealer has to operate his business on. He takes your trade-in, reconditions it and re-sells it. All these things that go into running a dealership have to be taken into consideration. Does that answer your question?

Mr. SMALLWOOD: Yes, but I have some more questions. I might say that I was quite surprised in this connection, and I phoned Alberta and found out last fall that it was costing them \$7,000 for a machine which you quote at \$5,600. It costs another \$1,400 in the west.

Mr. FORSYTH: I would have to question that.

Mr. SMALLWOOD: Well, it is not necessary. It is correct.

Mr. FORSYTH: I would have to question the \$7,000. I presume that you obtained that reference from a dealer out there.

Mr. SMALLWOOD: It is absolutely correct.

Mr. FORSYTH: Well, if the reference you got incorporated the same equipment as this price entails—

Mr. SMALLWOOD: You have the bare combine.

Mr. FORSYTH: It is a bare combine, whereas, in your area, and in most of the areas of western Canada, it is normal to refer to a combine as including a rotary screen pick-up—and I do not know why I cannot think of these extras fast enough—and that sort of equipment. So, if you ask the dealer to show you his price list, at the top of the page the words "on regular equipment" appears. A pickup is something in the neighbourhood of at least \$550. That is only an approximate figure.

Mr. SMALLWOOD: I would like to go back to 1953, where you have \$4,146 and, in 1954, you have 4,295. Was there any improvement in your machine that year?

Mr. FORSYTH: Between 1953 and 1954?

Mr. SMALLWOOD: Yes.

Mr. FORSYTH: I could not answer your question specifically.

Mr. SMALLWOOD: Maybe I should tell you. It had sealed bearings put in that year, throughout the machine.

Mr. FORSYTH: Was that the year? I was not sure.

Mr. SMALLWOOD: It does not seem to me that you have raised the price very much, after putting all those steel bearings in, and I cannot understand the reason for it. The next year you put in the dynaflo shoe system. Then, you did not make many improvements from then until 1958. I am acquainted with all this equipment, and I am tracing this through.

After these two years you kept climbing up to \$5,400 before there was again a big change. Are you able to comment on that?

Mr. FORSYTH: I cannot, without the records before me, I know we put the sealed bearings in after the 90 came out.

Mr. SMALLWOOD: The next year.

Mr. FORSYTH: The shoe, to which you referred actually is a trade name. It is a dynaflo shoe, and it was changed somewhere in that area, I know.

Mr. SMALLWOOD: That is right.

Mr. FORSYTH: I believe there was a larger gas tank.

Mr. SMALLWOOD: Yes, sure, but that doesn't make the combine any more efficient.

Mr. FORSYTH: No, but it has increased it to some degree.

Mr. SMALLWOOD: And you moved the grain tank from up here to down there, and ran the exhaust pipe from up here and back there, but we are directing our questions to the efficiency of the machine.

Mr. FORSYTH: You are relating these two prices from 1954 to 1960.

Mr. SMALLWOOD: Well, from 1953 to 1958, because there were five years in there, and changes were not too great, although the price kept going up.

Mr. FORSYTH: Well, in this respect I would have to refer the question as to why they went up to the man who knows the labour prices and all the rest of it. I presume this would be related to one of these charges.

Mr. SMALLWOOD: You do not know that?

Mr. FORSYTH: I do not know that.

An Hon. MEMBER: And nobody else does, either.

Mr. SMALLWOOD: Mr. Chairman, I have one further question in regard to the conveyor chain. It is like a sprocket. The conveyor chain for the No. 90 combine three years ago cost roughly \$75, and this year it cost \$106, yet it is the same chain. I would like to know the reason for that increase in price.

Mr. FORSYTH: This is from the table to the feeder.

Mr. SMALLWOOD: Yes. It weighs around 75 pounds. Three years ago I purchased it for \$75, and, last fall I paid \$106 for the same chain. What would be the reason for this?

Mr. FORSYTH: I am not in a position to give you any answer to that question. You are perhaps quite correct in saying that, as you are the one who is buying them.

Mr. SMALLWOOD: Yes, that is true. These are the types of questions to which we would like to have answers.

Mr. FORSYTH: I do not have information on which I can give you an answer to that because, as Mr. Emmert pointed out, we have not the prices here.

Mr. SMALLWOOD: Well, the dealer went to the Massey-Harris book, opened it up, checked his list, and there it was.

Mr. FORSYTH: Yes.

Mr. SMALLWOOD: If we are unable to get answers to questions like that, I do not know what good it is in asking them. We are here to find out the

reasons for these things. When we return to our constituencies, our constituents are going to ask us what we have done.

Mr. FORSYTH: This is the vertical elevator chain?

Mr. SMALLWOOD: Yes, the conveyor chain on the combine.

Mr. FORSYTH: Yes. You say it cost you, three years ago—

Mr. SMALLWOOD: Around \$75, and it went up to \$106 last fall.

Mr. EMMERT: I do not have any better answer for that question than Mr. Forsyth, but without attempting in any way to be impertinent, let me ask you a question.

Mr. SMALLWOOD: Fine.

Mr. EMMERT: Did everything else remain static in price during that period?

Mr. SMALLWOOD: Perhaps I could answer you in the same way as you answered us and say that it is not in the terms of reference.

Mr. EMMERT: Touché.

Mr. MILLIGAN: This question refers back to advertising and promotion, which appears to be making a major contribution to high prices of farm machinery. Can these costs be reduced—for television programs and such like?

Mr. EMMERT: The answer to your question is that we could certainly hope for that and we would do our best to reduce them and contain them. I sense a certain amount of wonderment, perhaps, on the part of the committee as to why we use the media of television. I can answer that very simply. It is because we think that that provides us with our best value for the advertising expenditure. We reach more prospective customers through that media than we possibly could for the same dollars through other media. We think we are getting good value, sir.

Mr. PETERS: We compliment you on your choice of programs.

Mr. EMMERT: Thank you.

Mr. MILLIGAN: Where a man is unfortunate enough not to be able to buy machinery, apparently you have a retail finance. What rate of interest do you charge in your financing?

Mr. EMMERT: We charge, I think it would be fair to say, the lowest rate of interest on any consumer commodity. We have a schedule of terms here.

Mr. SNELGROVE: In the case of the retail contract condition of sale, it bears a simple interest of 11.08 per cent. Now, do not pin me down to the .08 or .07, but that is approximately the simple rate of interest charged to the retail customer who finances the purchase of his equipment through our machinery financing institution. This interest rate is competitive within the agricultural implement industry, and certainly is less than the interest charged for the financing of other products, automobile products.

Mr. REGNIER: Is this interest rate you have quoted in vogue in France or in Great Britain, or Canada or the United States?

Mr. SNELGROVE: The interest rate charged in Canada and the United States by our subsidiary is the same rate. This rate also includes insurance, credit life insurance, and a property damage insurance, along the same terms as fire coverage, generally speaking.

Mr. REGNIER: What is the rate charged in Europe?

Mr. SNELGROVE: I do not know.

Mr. EMMERT: May I answer that? As far as I know, we do not offer the same financing facilities outside of North America.

Mr. REGNIER: What would be the total amount of accrued interest charged to farmers? How many million dollars would you get per year from interest rates charged to purchasers of equipment?

Mr. EMMERT: I am afraid I cannot answer that because it depends on a number of factors. One is the amount of outstanding balances, another is how long it is outstanding—that is, the terms and conditions of the specific contracts involved.

Mr. REGNIER: When you make your income tax up, probably you have to provide those figures to find out your profits or your losses.

Mr. EMMERT: Thus far, this year, Mr. Regnier—we hope this is going to change—our Canadian finance company subsidiary, in respect of the tax return that you mention, indicates a loss. We believe this is an accounting matter rather than something that would pertain throughout the year.

Mr. REGNIER: Could you provide us with those figures?

Mr. EMMERT: I am not so sure that we would be prepared to provide as public information such information about a subsidiary, a wholly owned subsidiary.

Mr. REGNIER: You plead the fifth amendment?

Mr. EMMERT: No.

Mr. HORNER (*Acadia*): I have a supplementary question to this. What percentage of your sales in Canada are financed through your own finance organization, or your own finance company?

Mr. EMMERT: We now have a question that I can answer specifically. In 1959, it was 17.2 per cent; in 1960, it was 34.1 per cent; and in 1961 to March 25 it was 33 per cent.

Mr. HORNER (*Acadia*): This is what is financed through these two finance companies that operate?

Mr. EMMERT: This is the percentage of paper that we have taken in relation to the retail sales.

Mr. HORNER (*Jasper-Edson*): You find that banks are not giving out as much under the Farm Implement Loans Act and this is why your subsidiary is doing more business on your sales?

Mr. FORSYTH: I cannot answer that question specifically, but I believe that a large percentage of our credit business comes from customers who have taken up the maximum benefits possible under the F.I.L. act and need additional financial assistance. Certainly there is a large sector of farmers, particularly in eastern Canada who, because they have other employment such as working in a factory, find that their principal source of income is separate from the farm and they cannot qualify under the F.I.L. act. Essex county is a good example of that. I had a check myself there. These purchasers may be a substantial percentage.

Mr. HORNER (*Jasper-Edson*): You cannot break down these percentages as between east and west?

Mr. EMMERT: I do not have those figures. Mr. Chairman, for the benefit of the committee, may I just recite a little bit of our philosophy about this retail time payment with which we are dealing.

Mr. KORCHINSKI: More advertising?

Mr. EMMERT: I beg your pardon.

Mr. KORCHINSKI: I was just wondering whether that was more advertising?

Mr. EMMERT: Our philosophy is quite simple on this. We are not in the business of selling time paper or, I should say, buying it. That is not our intention. It is not our policy, as laid down for the administration of

the finance companies in Canada and the United States. We operate one subsidiary in each of these countries, and we operate them for an identical purpose, namely, to provide our dealers with an additional sales power. We urge our dealers to use the facilities of the F.I.L.A. to the maximum degree. We urge them to use the facilities of their local banks to the maximum degree. Not always is it possible to satisfy the requirements through these sources of money, and in that event we are prepared to consider financing a man's transaction if he meets our requirements. The point is, this is a sales tool. We are not in the finance company business. We had to get into this.

Mr. NASSERDEN: Are the dealers tied into the contract with the farmers so far as the financing is concerned?

Mr. EMMERT: Do you mean, do we kick back to the dealer?

Mr. NASSERDEN: You can look at it this way or the other. If there is a loan, what would be the situation?

Mr. EMMERT: We have several varieties of contract. We have full resource contracts, and contracts running all the way to non-resource contracts. It depends on the saleability and integrity of the dealer as to which plan he signs up with us on.

Mr. NASSERDEN: He is the one who makes the deal.

Mr. EMMERT: Exactly.

Mr. HORNER (*Acadia*): Would you prepare and give to the committee later on a breakdown of the percentage for western and eastern Canada?

Mr. EMMERT: Yes.

Mr. NOBLE: Mr. Chairman, my question is in respect of something which may affect cost in Canada. The statement has been publicized to the effect that what adds materially to the Canadian cost of production is the large management and administrative staff used in our plants in comparison to the same type of plants in Europe. In some cases it is claimed the staff is double and even triple for the same number of employees. I am wondering if this affects the Canadian plants.

Mr. EMMERT: Mr. Noble, that is a fairly general statement. Can you tell me the source of it. What plant are you speaking about?

Mr. NOBLE: I might say that I read an article in *Readers Digest* yesterday in which it was stated that was one of the reasons we could not compete with Europe; we had such an overhang of management and administration which put our costs out of line.

Mr. EMMERT: I would not be in a position to quarrel with this author, but I would need more facts than that to even attempt to reply.

Mr. NOBLE: If you take the last issue, I think you will find the facts are there and that the figures are stated. I did not know I was going to be on this committee today, or I would have had it here.

Mr. EMMERT: I could not deal with it now.

Mr. HORNER (*Acadia*): On page 1 of appendix (E) you state the number of hourly employees you have in Canada and the number of salaried employees you have in Canada. Could you prepare, perhaps for a later meeting if you do not have it available now, figures listing the number of salaried persons five or ten years back and the number of hourly employees employed five or ten years back.

Mr. EMMERT: Mr. Hooper, no—I am sorry—I should know you well enough by now. Certainly our personnel records would lend themselves to the derivation of the figures that you have asked for but, once again, I must say to you it would be absolutely meaningless for the purposes you have in mind.

Mr. KORCHINSKI: Let us worry about that.

Mr. EMMERT: I am afraid I cannot let you worry about that because, if they are meaningless, they are subject to any kind of interpretation anyone could put on them. I would not be prepared to give details of those figures, except in person and with a complete recorded account of whatever transaction occurred in whatever period of time we are talking about. If we take a supervisor from a lower rank which was hourly rated and put him on salary the bare figures just show that as one for one but you see, there is something behind that.

Mr. HORNER (*Acadia*): On that same page, Mr. Emmert, you go on to say that "almost 55 per cent of Massey-Ferguson employees are unionized". Later you state that some of the salaried workers, such as draftsmen, are now covered by a union agreement. Is it a fact that in most instances salaried workers are not unionized and the rate workers are?

Mr. DENTON: Generally speaking, that is a fact. There are unionized salaried people in the industry but I think the majority are not organized. Certainly, in our case, that is so. We have only one organized unit of salaried workers.

Mr. PETERS: Would it be possible to get a breakdown of the amounts of money under hourly rates and salary rates—the total cost per year or whatever would be the easiest to figure out?

Mr. EMMERT: Once again, I would have to give you exactly the same answer I have already given. They would be meaningless without a complete explanation of every transaction within a certain period of time.

Mr. PETERS: It would be very interesting.

Mr. KORCHINSKI: I know they might be meaningless but, if you go back to the charts which we had before us this morning, on one you will find an index for 1947 and you will find one for 1954. You will find that in most cases they started with 1949 but you will also find omissions in the periods with which they deal. This is also the case in your brief. In the first "A" you make reference to 1947 and on page 22 you make reference to 1946 and to 1959 on page 24. I think you go back to the days of the world war, which is all intended to prove a point and this, Mr. Emmert, is exactly what you are trying to suggest will happen if we get a set of figures in that way. Why, in the interests of intelligent study, are we not presented with these figures on a common basis?

Mr. EMMERT: I would suggest, Mr. Korchinski, there is a very valid reason for the beginning of each chart. Mr. Kingsmill, let us take the ones Mr. Korchinski has referred to.

Mr. KORCHINSKI: I was referring to the text. It is confusing when you have 1954, 1957, 1953 and a few omissions, and then you go back to 1946 and 1947 and so on.

Mr. EMMERT: We shall look at this chart, Canadian prices index.

Mr. KINGSMILL: This (indicating) is the base to which the labour section of the brief went back, and so we thought we should take it all the way back to 1947 on the others. That is the place the labour one started from.

Mr. EMMERT: Let us take this one, worldwide net sales.

Mr. KINGSMILL: On that one you have to 1947. The railways were frozen so that particular comparison would begin to get meaningful as an index from 1947 on.

Mr. EMMERT: And, if I may refer to this chart, 1954 was selected because that was the year of the amalgamation of the Massey-Harris and Ferguson companies. Figures were not available prior to that time.

Mr. KORCHINSKI: And yet, in your brief, on page 11 "B" you go back 1952, and you jump to 1954.

Mr. KINGSMILL: We are just updating the Gordon report.

Mr. KORCHINSKI: You go back to 1950; then there is an omission in 1951, 1952, and you jump to 1954.

Mr. KINGSMILL: Everything up to 1954 is merely a copy of the Gordon report, and we have up-dated from there.

Mr. EMMERT: 1936, 1946, 1950 and 1954 figures are those identical figures which appeared in the royal commission inquiry on this industry, and we have used, each year since that time, that equivalent information.

Mr. KORCHINSKI: Then, you have a trend comparison. You refer to an amalgamation, and then you go back to 1949, which was prior to amalgamation.

Mr. EMMERT: In our context?

Mr. KORCHINSKI: I was looking at the chart. I am taking them at random. You can open any page in your brief, and you will find the same thing.

Mr. EMMERT: Oh, well, this is perfectly reasonable. This one deals with North American inventories and customers—accounts receivable—in comparison with sales in North America. We can pick any page you want.

Mr. KORCHINSKI: The point is that you are comparing one year against the next one. You say the labour costs have gone up since 1948 and, all of a sudden you throw in 1949. I submit, in all respect, that in the interest of an intelligent analysis of this we should have a common basis. This is a thing that is confusing, when you start wondering about these things. The very thing you suggest is what is going to confuse the committee, by not having all the available facts before us.

Mr. EMMERT: I thank you for making the point, because you are becoming confused already by this very thing.

Mr. KORCHINSKI: Here is a 1935 comparison on page 2.

Mr. EMMERT: Allow me to state our policy on making up these exhibits. It was to go back as far as there were any meaningful statistics or records available to us. We are quite aware that the longer the trend, the more significant it can be. I think you would agree, Mr. Korchinski, that in all the charts we have looked at here, we do not attempt to compare apples and oranges. We may talk about apples from 1947 onwards, and oranges from 1939 onwards, but we are taking 1947 and 1939 and putting them on the same chart.

Mr. KORCHINSKI: But if we had gone further back we might have found a factor which does not present itself on the chart.

Mr. GUNDLOCK: And, apples still keep the doctor away.

Mr. EMMERT: I am sorry that we cannot go further back.

Mr. PHILLIPS: Mr. Chairman, I have a question I would like to put.

The CHAIRMAN: Is it a supplementary question?

Mr. PHILLIPS: No. Several times today you have spoken about the unsatisfactory profit picture of your company, and, at the same time, a share of Massey-Harris was increased considerably on the market; that is, it has shown a steady rise. To what factor do you attribute that, in view of your unsatisfactory profit?

Mr. EMMERT: Well, Mr. Phillips, I would not presume nor attempt to out-guess the stock market; however, I must point out to you at our annual meeting two years ago a very irate shareholder arose and said to the chairman: "I bought my Massey stock at 16½; what am I to do?" It was then selling at 8.

The chairman responded by saying: "Well, I am very sorry; I cannot help you, but I really do not know many people who paid \$16 $\frac{1}{4}$ for the stock." So, there has been a considerable variation in the share price.

Again, following Mr. Korchinski's line of thought, I think you would have to chart this for a very long period in order to have any significance. As of last Friday, our shares were selling for about 13 $\frac{7}{8}$ ths on the Toronto stock exchange; last year they were as low as 8 $\frac{1}{4}$. For all I know, they may be available at 8, or something less than that next year. I just don't know. I do not know what makes people attracted to any particular shares, or why they bid them up or down.

The CHAIRMAN: Gentlemen, it is now almost five o'clock, but it does not appear that the committee will finish for at least half an hour. We have a meeting scheduled for eight o'clock tonight, so I suggest that we now adjourn.

Here is the list of speakers who wish to ask questions: Messrs. Nasserden, Muir (Lisgar), Clancy, Southam, Jack Horner (Acadia), Pascoe, Thomas, Korchinski and Hales.

Mr. HORNER (Acadia): I would like to move, before we adjourn, while everybody is here, that through due study of this committee we have seen that the profits for the Massey-Ferguson company have declined sharply since 1950, when we would have expected prices to decline as well, but the latter has not been the case. Therefore I move as follows:

That the committee ask Massey-Ferguson to prepare cost figures for the committee, a breakdown of various cost items such as labour, materials, salaries and distribution for a number of years in making a tractor, combine, manure spreader and plough.

In making up these cost figures for a tractor, combine, manure spreader or plough, they may include any other major implement they feel should be included. I so move.

Mr. NASSERDEN: I would like to move an amendment to include all the machine companies, because if we cannot get these answers, a precedent is set right here for all the machine companies that appear before us.

Mr. HORNER (Acadia): I agree with the amendment, but actually we have Massey-Ferguson before us now, and I feel this is definitely a very important point, because if we do not have the costs from Massey-Ferguson, it is quite conceivable that we will not have any cost analysis from any of the other companies. That is why I suggest we have a cost analysis from Massey-Ferguson so that the other companies who will appear before us will produce them too.

Mr. GUNDLOCK: I second the motion.

Mr. MUIR (Lisgar): I would like to point out to the gentlemen present that it is to their benefit as well as to the benefit of the committee, and the reason I say this is that I have here a presentation from the Canadian labour congress. They sent it to me, and I have read it.

The CHAIRMAN: I wonder if you should quote from it, since the Canadian labour congress have not yet appeared.

Mr. MUIR (Lisgar): Their brief breaks down the cost per unit of output. They also break down the distribution and sales dollar. They make the point in the distribution of the sales dollar that 1947 wages amounted to 29.1 cents out of the sales dollar, and that in 1958 this labour cost had been reduced to 16.7 cents.

The CHAIRMAN: We are not dealing with the Canadian congress of labour brief. They had the courtesy to present it to the members of the committee,

but I feel the committee would be out of order in discussing their brief when they have not yet had an opportunity to be here and to discuss it.

Mr. GUNDLOCK: May I make a suggestion? It is simply not ambiguous, and I do not want it to be taken that way in any shape or form.

The CHAIRMAN: I was just referring to the Canadian congress of labour brief.

Mr. GUNDLOCK: Yes, I agree with that, Mr. Chairman.

The CHAIRMAN: I am not objecting to the direction.

Mr. MUIR (*Lisgar*): If you allow me to carry on, I shall be brief. The other brief is going to be brought in, showing the breakdown in the unit cost in the distribution of the sales dollar, which I think could possibly be challenged by the group who are presenting their brief today and I think it is to their advantage, as well as to that of the committee, to have these figures.

Mr. KORCHINSKI: If I may just add to what Mr. Muir has said, I do not want the officials of Massey-Ferguson to think that we are trying to get this information with a view to attempting to condemn them in any way. What we want to do is prove the very point you are trying to make. If you can supply us with this information, and if the situation is as we take it to be, surely there would be no harm done in presenting it to everyone.

Mr. THOMAS: Mr. Chairman, Mr. Horner's motion is a very important one and I think before we take any action on it we should get legal advice from the Department of Justice and should discuss it thoroughly in camera before we go any further with it. I think the motion is full of complications and I fear we are only going to get ourselves tangled up unless we get legal advice.

Mr. HORNER (*Acadia*): Mr. Chairman, a committee has full power to ask for information and in the 1937 report, the most recent study which the house has made, there was a fully documented statement included by each company, John Deere, Massey-Harris, Cockshutt, International Harvester and figures were given showing the exact breakdown of factories, of foundaries, the casting and the rolling mills and everything else. Therefore, I see nothing out of order in this motion.

Mr. McINTOSH: I think Mr. Emmert inferred if he did not say so, that the terms of reference as laid down to the company did not cover the detailing and preparing of the type of information mentioned in the motion. May I ask you, as chairman, do you feel that is correct and, if it is correct, could we go back to the house and ask for a change in the terms of reference?

The CHAIRMAN: Well Mr. McIntosh, may I refer again to the fourth report of the committee of last year. The committee at that time asked that a committee be set up again this year and compile all available facts regarding farm machinery prices.

Mr. GUNDLOCK: Mr. Chairman, we have asked for these facts all afternoon and all we can get is an answer that "it is not referred to in the terms of reference". I asked three questions and that is the answer I got.

Mr. KNOWLES: Could we not consider this better when we come back after the adjournment?

The CHAIRMAN: I move that we adjourn and this question will be on the agenda when we convene at eight o'clock.

Mr. THOMAS: I do so move.

Mr. HORNER (*Acadia*): I think that Mr. Thomas' statement is out of order. However, we can adjourn first and then put down the motion on the records.

EVENING SITTING

MONDAY, May 1, 1961,

The CHAIRMAN: Order, gentlemen. When the committee recessed previous to six o'clock there was a motion before the committee, in respect to our witnesses. The committee dealt with the motion in a somewhat amended form in camera, and I will read the motion now as the committee passed it:

I move, seconded by Mr. Gundlock, that this committee request all machinery companies appearing before this committee to supply for the years from 1954 to date, a cost breakdown of the material, wages, salaries and distribution which go into the manufacture of such items of farm machinery as tractors, combines, manure spreaders, balers.

It is signed by Mr. Jack Horner.

Mr. KORCHINSKI: I think the year 1954 was given in consideration of the fact that Messrs. Massey and Messrs. Ferguson became amalgamated in that year. I did not really think of that at the time, but it has struck me now that in fairness to Massey-Ferguson Limited that is as far as we should go back. Because of the fact that other machinery companies did not amalgamate at that time, I wonder if I could possibly request the committee to go back for ten years from 1960, or to 1949 perhaps—which would be the best year?

Mr. HORNER (*Acadia*): It does not really matter. I think we should leave it to the discretion of the individual companies, if they feel they would like to go back further.

Mr. KORCHINSKI: Could I make a motion, then, or an amending motion, to say "if they possibly can". I am making this statement only in consideration of the fact that Messrs. Massey and Messrs. Ferguson became amalgamated that year. It is only fair to them to ask them to go back to that year, but I think the other companies could supply us with more complete information.

The CHAIRMAN: Would you make that in the form of a suggestion?

Mr. KORCHINSKI: I am making it in the form of an amended motion.

The CHAIRMAN: The motion has been passed. It would have to be a new motion.

Mr. KORCHINSKI: That motion was passed in camera. Is it a fact that the in-camera proceedings are part of our overall proceedings?

The CHAIRMAN: That is correct. You can form a new motion if you wish to do so. What took place in camera was part of our proceedings.

Mr. KORCHINSKI: very well. I misunderstood. I thought this was being brought out now just to put it on the record. Could I make it in the form of a suggestion to the other companies?

The CHAIRMAN: That is what I suggested, that it be made in the form of a suggestion.

I might tell the committee that all the machinery companies will be informed now of this motion which has just been passed.

Mr. MUIR (*Lisgar*): Considering the increase in freight rates over the years, I would like to ask Mr. Emmert, would there be any advantage in shipping component parts from, say, Toronto by the carload and have them assembled, say, in Winnipeg. I mean pricewise about which we are talking.

Mr. EMMERT: I gather that you are really suggesting that we might have assembly points other than in Toronto, Brantford and Detroit, or wherever they exist. This would not be an economic thing in our view. It has been demonstrated in Canada, in the automobile business, for example, that the companies cannot

support more than one assembly plant because of the very high capital costs. The savings that might result from the lower transport cost simply do not offset the cost of the capital. Mr. Childs, have you anything to add?

Mr. CHILDS: I would add that the cost of hauling prime products like steel would be very costly to a point like Winnipeg in comparison with the movement of the finished goods out as we now do.

Mr. MUIR (*Lisgar*): I was not talking about raw steel. I meant where you would make your raw steel into a combine and ship the body parts out. No doubt you could get a great deal more value from your freight than you would by shipping just a whole machine. You might be able to ship out half a dozen machines.

Mr. CHILDS: That is possible, but there is not too much difference at present between the low and the high in respect to rates. It is all one rate. We do not have any incentive minimum rates in Canada, at least to western Canada.

Mr. CLANCY: This is just a question of clarification. In your brief you state that you changed over from a policy of consignment to dealership, in the sense of purchase by the dealer, several years ago. Secondly, that the reason for the changeover was to make the dealer an independent businessman, in other words, he is not receiving a consignment, he is actually signing a contract subject to certain conditions and the vagaries of the industry, to purchase. Thirdly, the incentives that are given to him on discounts, prepaid shipments, and so on, are a straight business incentive. In other words he has to use a certain amount of judgment on his own. I am talking about parts particularly. In the parts field you allow a certain rebate on parts at the end of the year, which is particularly due to the circumstances of your own business. In other words, instead of putting it on consignment, you would try to increase the efficiency of your dealer by making him assume some responsibility. Is that true?

Mr. EMMERT: Mr. Chairman and Mr. Clancy, the word "consignment" as it was used in years gone by—and I hope never to be used again in this industry—really referred to whole goods.

Mr. CLANCY: I appreciate that.

Mr. EMMERT: Our parts policy today is quite a different thing to our whole goods policy.

Mr. CLANCY: What I am trying to get clear in my mind is this. If I buy from you in November and if my business for that line may come in the spring seedling time, by giving you a firm contract in November you are prepared to give me certain advantages—which, I think, is quite legitimate in business. I am a small retailer myself, not a very big one but I do some business. I get certain advantages such as prepaid shipping or a discount of 5 per cent; or I hold a stock for six months, or they give me 60 days or 120 days before my draft is due. In other words, there is an incentive for me to give the company a forward order. I have to take on a certain amount of responsibility after I do that. That is the policy to increase efficiency, as you are trying to put it. There is another question, in regard to parts individually. If I ordered one part in Toronto, there is an f.o.b. ex-factory price on that. In the case of an individual order, there would be an f.o.b. price, and I would have to pay the freight and whatever else is concerned. On the other hand, if I am prepared to start a ledger account, you are prepared to give certain credit terms and use your sales force and your knowledge to give me the cheapest shipping. Is that right?

Mr. EMMERT: Mr. Clancy, we attempt to provide an incentive to our dealers on parts in the form of what we call a stock order. In other words, it is to our benefit to have our dealers order parts in advance of the season, and to be sure that they are at the points of requirement at the right time.

It is to our advantage to have our dealers order parts in sufficient quantity to allow our stockrooms, our central warehouses, to do their work properly.

Therefore if a dealer is prepared to do this, we provide him with an incentive which causes to do this. In other words, he, at that point, assumes some of the cost that we would otherwise have to assume, and we reimburse him for doing it.

At the same time we think this is good business for our customers, because we thereby anticipate by having the parts to distribute out among the customers, rather than in our warehouses where they are no good.

Mr. CLANCY: When you come to your suggested list price, I assume that it is based on the general average of what you know the overhead of the dealer to be. If he does not make a percentage, he will go broke and a bankrupt dealer is no good to you or to anybody else. You have no actual control over that list price, however, and he can get whatever he likes when once he gets it.

Mr. EMMERT: Is that the question?

Mr. CLANCY: That is the question. Your suggested list price is based on an average. Dominion bureau of statistics may say that the basic cost is a certain percentage for every dealer in Canada. There may be an average, and it may vary from one dealer to another according to his efficiency, but three is an average.

Your allowance on your list price, on the mark up, is on an average. But once that is in the hands of the dealer, if he can save through buying a carload lot, it is his business, and no one else's. He can give the farmer a "deal", or he can do with it as he pleases.

Mr. EMMERT: I quite agree with the premise in the latter part of your question, but I cannot agree that our prices are set on the basis of an average cost to a dealer doing business. I must be absolutely truthful. We do not consider that in the parts business. What we have to consider are the very points I have been making all the afternoon. We have to be informed on the parts price, but what the dealers' cost of handling parts is, we have no way of knowing. Averages in that case would be useless. However, with the latter part of your premise I quite agree.

Mr. CLANCY: In other words, you say that your industry has no general survey of costs of doing business among your dealers.

Mr. EMMERT: In respect of parts, which is the subject we are talking about.

Mr. MUIR (*Lisgar*): May I ask a supplementary question to my first question? I would like to ask Mr. Emmert if he finds it advantageous since the opening of the St. Lawrence seaway to ship his combines from Toronto to Fort William by water, and to unload them there as freight?

Mr. EMMERT: Once again I would like to have Mr. Child's reply to this, because it is a question about the advantageous use of the St. Lawrence seaway for ocean shipment.

Mr. CHILD: That is something which just came out recently, with the inauguration of the St. Lawrence Navigation Company which before this year were contract haulers for bulk goods. This year they went into more package freight business. They are coming out to our plant in the latter part of this week to see whether they can physically handle combines and put them down through the hold, or have to carry them on deck as cargo. One deterring factor is the question of planking and stacking once it gets to Fort William or Port Arthur. We have very strong regulations there imposed by the American association of railroads and the Canadian railway authorities in Ottawa that we have to have so many planks, so many tie-downs to

make a load safe for transportation. The cost to us is quite considerable to do that work at the factory, and I cannot see any outside company doing it for less. I think the advantages we might gain in the first instance would be more than eaten up in the cost of reloading at Fort William.

Mr. NASSERDEN: In the brief you made quite a point about the fact that combines are laid down at the same price in western Canada as in the United States. You also mentioned that the cost of labour in the United States is somewhat higher than it is here in Canada.

Does that sort of thing indicate that what you are doing there actually is this: you are not giving anyone in western Canada any particular benefit. That is putting it very crudely.

Mr. EMMERT: No, I would not say it was putting it crudely at all. I do not think we said that the price laid down was the same. I think that we said that the prices at the factory were the same.

Mr. NASSERDEN: Yes.

Mr. EMMERT: And to this you must add your cost either to western Canada or to any point in the United States; and with that you have the laid down cost to balance the fact that we sell at the factory to the dealer in western Canada or to the dealer in the United States at the same price.

Mr. NASSERDEN: I take it from your brief that you feel this is something special which people in western Canada should appreciate. But it seems to me with the increased labour costs in the United States this is not anything special.

Mr. EMMERT: There is another factor which we also pointed out that in respect to freight, it costs us considerably more to ship a combine from Toronto to western Canada than it does from Moline, which is the big center of the industry in the United States, to western Canada.

What we have really done is to exercise the benefit of the lower labour rate in Canada to restrain the price of the combine in western Canada.

Mr. KORCHINSKI: How can you say that if you do not even know what the cost of your labour or transportation is in Canada?

Mr. EMMERT: I did not say that.

Mr. KORCHINSKI: But you have refused to give it to us. Is that not right?

Mr. EMMERT: No.

Mr. CLERMONT: Mr. Chairman, the fact that these gentlemen from Massey-Ferguson will have to come back upon the request of this committee, I move that we adjourn this committee to allow the members of the committee to go to the House of Commons where they are presenting bill 77 an act to provide for the rehabilitation of agriculture lands and the development of rural areas in Canada.

Mr. HORNER (*Acadia*): I would like to speak to that motion before you put the question.

The CHAIRMAN: Is there a seconder?

Mr. HORNER (*Acadia*): Before the question is put I think the committee should first consider whether or not the representatives of Massey-Ferguson who are here before us have a good idea as to what questions we want to put. I have in mind some other questions which, perhaps, they may not be able to answer at this time. Perhaps they would like to have time to work on them, and to bring their answers to us at a later date.

While there may be a bill before the house, we have all had an opportunity to speak on it at the resolution stage. I know I would like to be up there to speak on it myself, but I realize that we have this group before

this committee, and I think we should give them a precise idea as to what we want answers upon, such as costs, wages, transportation, manufacturing, and so on. I think that while we have them before us we should continue with them.

The CHAIRMAN: Does anybody else wish to speak on the motion?

Mr. PETERS: I think it has been very unfair that the agricultural committee should meet at a time when this bill is before the house.

Mr. HORNER (*Acadia*): That is something to take up in the house, and here.

Mr. PETERS: I think it is the fault of those who organized the business in the house.

Mr. KORCHINSKI: Did your whip have any consideration about it with the other whips?

The CHAIRMAN: This meeting was arranged for some three or four weeks ago. We never know what business is coming up in the house when meetings are to be held.

Mr. HORNER (*Jasper-Edson*): All you fellows have had your say.

An HON. MEMBER: The question, please.

Mr. KORCHINSKI: Is it understood that the witness of Massey-Ferguson will appear before this committee at a later date?

Mr. NASSERDEN: I think we should deal with them now, while we have them here.

The CHAIRMAN: Gentlemen, I think the witnesses stated this afternoon that they do not have certain information which you requested, and we requested that in a motion which was passed earlier. No doubt it is going to take the company some time to prepare that information and, undoubtedly, it will be the wish of the committee that they appear here again.

SOME HON. MEMBERS: Yes.

Mr. KORCHINSKI: Is it agreed that they will appear again before the committee? As far as I am concerned, I am not finished with my questioning, and I would like to have their assurance that they would appear again at a later date.

The CHAIRMAN: Are you prepared to come back at a later date?

Mr. EMMERT: Is it proper that I speak while this motion is before the house?

The CHAIRMAN: Well, the question was asked if you would be prepared to come back.

Mr. EMMERT: Of course, the answer to that depends upon the terms of coming back.

Mr. HORNER (*Jasper-Edson*): Your answer is in the motion that was passed.

Mr. EMMERT: We have not had any opportunity to study your motion. I indicated to you earlier this afternoon that our company, when invited to submit a brief here, expressed the view that we would give the fullest co-operation to your objectives. In my view some of the objectives, as they were originally stated to us, were changed a bit and we now need time to review these new objectives after they have been defined. I am not even certain in my own mind what the new definition is. I know some generalities, but I certainly do not know the specifics.

Mr. KORCHINSKI: I think this is highly irregular but, nevertheless, the statement has been made.

It seems to me, Mr. Chairman, that what we want here are answers to substantiate our questions in connection with statements made in the brief. One statement has been a very contentious one, and it has to do with the biggest cost element, being steel, labour, and transportation. We want substantiation for that.

The CHAIRMAN: You are speaking to the motion. I asked Mr. Emmert to answer your question as to whether or not he is coming back. I think we should put the question.

Mr. KORCHINSKI: I am stating that it is highly irregular.

Mr. EMMERT: May I have one more word in reply to your question.

I suggested to you, sir, and to the committee that, when all the briefs that your committee is about to hear have been heard, the entire complexion of this inquiry that you are conducting will be very different. In this sense, the decision that you have taken—your resolution to ask certain witnesses for additional information—I suggest should be deferred until you have the complete content of all the briefs that are going to be submitted to you.

Certainly, I have no desire to stand before this committee and refuse to give you information—not in the least. At the same time, I have no desire to stand before the committee and give you information which would assist our competitors, not all of whom even have been asked to appear before this committee.

Gentlemen, I strongly urge you to await any decision as to what you may want from any witnesses until you find out what you obtain from all the witnesses.

Mr. HENDERSON: Fair enough.

Mr. HORNER (*Acadia*): Mr. Chairman, if we follow that procedure, we would have to hear every witness of every machine company twice and, while the session may drag out quite a while, I do not think it will last that long.

Mr. HORNER (*Jasper-Edson*): Mr. Chairman, in speaking to the motion that we adjourn, I disagree with it, and speak against it. We had an opportunity to speak to the resolution, and those of us who want to speak on the bill can be there. We have passed a motion in the committee tonight that we ask the machine companies to provide us with certain information with regard to the cost and, with all due deference to the vice-president of Massey-Ferguson, the question of price of any product has to be investigated in conjunction with the cost of that product. They have outlined in the brief three areas in which they feel they do not have the control which they might like to have of these particular costs. I refer to their labour costs, their transportation and material costs.

We had asked particularly and specifically this afternoon with regard to their labour costs. Now, this is the sum and substance of a number of questions we have asked. We have asked what and how much has labour cost increased in the price of farm machinery; what and how much does labour contribute to the price of farm machinery. This is what we want to know, in essence, Mr. Chairman, and with all due deference to the vice-president, we feel this is rightfully within our terms of reference.

There are a number of further questions to be asked, and if he wants to take these and discuss them with his management group, then, fine and dandy; we will agree with that. On the other hand, there are other questions outside and inside the labour group to be asked.

Mr. CLERMONT: Mr. Chairman, this has nothing whatever to do with the motion.

Mr. HORNER (*Jasper-Edson*): If my friend will allow me to finish, I would like to say that I have several questions I have been waiting patiently to ask

through the vice-president to the gentleman who is in charge of their traffic. I should like to ask these questions on freight rates which, I suggest, sir, is—

The CHAIRMAN: If I may interrupt. Dr. Horner, would you confine your remarks to the motion?

Mr. HORNER (*Jasper-Edson*): I am suggesting these reasons, Mr. Chairman, for being against the motion. I have these questions I would like to ask tonight—not next week, but tonight—so that if they do not have all the answers, or all the facts, they will be in the position of at least knowing the questions. Then, at a later time, they can produce the information.

Mr. Chairman, this is essentially my opposition to the motion as proposed. I am sure that other members of the committee have other questions to ask. We do not expect that these officials be supermen, but I say that if we ask these questions, and if they are reasonable ones, they could supply an answer for them. Perhaps they could not do it tonight but, if not, they could do it at a later date. I think that the questions should be put at least tonight. These are the reasons why I am opposed to the motion as proposed by the hon. member.

The CHAIRMAN: Is the committee ready for the question?

Some Hon. MEMBERS: The question, please.

The CHAIRMAN: It has been moved by Mr. Clermont, and seconded by Mr. Regnier, that this committee be adjourned, to allow the members of this committee to be in the House of Commons where they are studying bill 77. All those in favour of the motion? All those against it? I declare the motion lost.

Mr. Nasserden, were you finished with your questions before the motion was proposed?

Mr. NASSERDEN: Mr. Chairman, I have been sidetracked for a moment by this motion. However, if given the opportunity later on, I would like to ask further questions.

The CHAIRMAN: Then, we will proceed to Mr. Southam.

Mr. SOUTHAM: Mr. Chairman, my question is based on a general observation of part A of the brief, prices, and financial expenditures. During the testimony of a former witness before this committee, he was interested in some statements and deductions made by a certain body in the United States, dealing with cost factors in the price of farm machinery. The observations fall under the following headings: administered prices, planned obsolescence, non-standardization of component parts and the superfluous gadgets that are put on machinery. What I am concerned with, Mr. Chairman, is his reference to administered prices, and this is what he had to say:

The rising price of farm machinery has, on the one hand, come as a result of the application of an administered price by the industry, and on the other hand as a result of a market price as applied to the sale of farm products.

This, I may add, was testimony given before chairman Estes Kefauver of the subcommittee on anti-trust and monopoly of the United States senate.

Mr. PETERS: May I ask, what is the hon. member reading from?

Mr. SOUTHAM: It is, as I said, part of a reference made by a former witness who represented the national farmers union and it has given me a certain amount of concern. This is what was stated by chairman Estes Kefauver during that testimony.

With the passage of time, administered prices have become more and more important in our economy. This has been partly due to the changing composition of the country from a predominantly agricultural to a predominantly industrial economy.

The words "administered prices" were apparently originated by a doctor Gardiner C. Means, an economist for the United States government committee for economic development. He originated the term and his definition of it was:

On my definition an administered price is a price set by someone, usually a producer or seller, and kept constant for a period of time for a series of transactions. The opposite of an administered price is a market price—a price that fluctuates on the basis of supply and demand as these forces are felt in the market.

That, to me, seemed like a new economic criteria which has been introduced into business during the last few years. Would Mr. Emmert care to comment on it? Do you agree with these assertions, in part or in whole?

Mr. EMMERT: I am afraid I am not just qualified to comment on anything given in testimony before Senator Kefauver. I have already covered the question this afternoon that, so far as any price fixing is concerned, there is none in our industry. So far as the definition of "administered prices" is concerned, I would have to inform you that there are no such at the retail level because, as we have already pointed out, the prices paid by the customer is altogether a matter between the dealer and the customer. We have nothing to do with that, except to set the suggested maximum retail price.

Mr. SOUTHAM: I am glad to hear you say that, Mr. Emmert, because this former witness used these words and I was wondering was this a new economic criteria coming into general business operations.

Mr. KORCHINSKI: Before this agreement in 1944, where previously the dealers were given machinery on a consignment basis, was there a different type of arrangement in that you had a direct say in the price charged to the consumer?

Mr. EMMERT: I am not just qualified to answer that question. I was not in the industry at that time. Can you, Bill?

Mr. FORSYTH: Mr. Chairman, you said pre-1944?

Mr. KORCHINSKI: Was not that the year the other arrangement was made?

Mr. FORSYTH: I think it was 1945, but you are suggesting that has a relationship as to how a business would possibly go as a dealer component. No, at that time an agent—pardon me, I shall start it the other way and say that all of the inventories in our agencies were owned by the company and could be transferred at the company's will. In fact, the inventory was only in the care of the agent. There was a suggested list price. I am not sure of the law at that time but I suppose world war emergencies applied in those years, but this went back to the 1930's. The agent, if he took a trade-in, was responsible to the company for reimbursement to the value of that trade-in and, once a year or more, the agent collected his commission. As far as our company, and probably any other company was concerned, in that they could actually dictate that a dealer was to get \$7.7 for a machine, or whatever the price was,—that was solely up to the agent. If he sold it for less—

Mr. KORCHINSKI: But there must have been a recovery price, as you call it.

Mr. FORSYTH: Very much so. In addition, if we wanted \$100 for a machine and an agent sold it for \$75 retail, then he owed us \$25.

Mr. KORCHINSKI: In other words, there was a recovery price which might be comparable to the present recovery price. There must have been some difference?

Mr. FORSYTH: Yes, it was entirely different in the structure.

Mr. KORCHINSKI: What price did you charge and what price did the agent have to pay for that machinery?

Mr. FORSYTH: Actually, he remitted the entire settlement. If a machine was sold for \$100, be it cash, trade-in or credit and cash, the agent remitted the entire settlement under those circumstances to the company.

Mr. KORCHINSKI: But, if he were able to procure \$150 did he remit \$150 to the company?

Mr. FORSYTH: I would say theoretically that is right but I do not think in practice it ever happened. I have never experienced it.

Mr. KORCHINSKI: But in theory that was the practice?

Mr. FORSYTH: In theory that possibly would have been the practice, but I do not think it happened. If it did, the agent never submitted more than the list price; but the point I want to make is that there was a fixed rate of commission subject to settlement being made accurately and promptly and the trade-in, if a trade-in was involved, being settled promptly and accurately. Generally speaking, this commission account became once a year and it was commonly referred to in the trade as "settlement date".

Mr. KORCHINSKI: There is no such thing as commission for an agent at the present time?

Mr. FORSYTH: Not in our company.

Mr. SOUTHAM: However, if an agent sells so many pieces of equipment this year does he not get two per cent, or something like that—

Mr. FORSYTH: We would not refer to that in the terms of commission.

Mr. KORCHINSKI: How would you refer to that type of arrangement?

Mr. FORSYTH: That would be a special incentive of the type we have outlined.

Mr. KORCHINSKI: Are there any other types of incentives?

Mr. HORNER (*Acadia*): Interest free for six months.

Mr. KORCHINSKI: If, for instance, a dealer sells certain equipment in September is there any special incentive for that?

Mr. FORSYTH: That, again, is another type of incentive. As a matter of fact, we had a program this year for early orders on, I think it was combines, where we waived the time payment differential to some period in 1961; but this was to the customer, to the retail customer and I believe we paid interest on monies he paid in at that time. That was another form of incentive.

Mr. KORCHINSKI: Has this shifted the responsibility from your company to the dealer in regard to the overall price of farm machinery?

Mr. FORSYTH: I could not say it had or had not. I would think, overall, it had not. One of the examples I would quote to you would be that under the agency structure, if they were operating on consignment, they were responsible for the field services to agents. With the growth in the industry that would have required a core of trained men which becomes impossible, let alone economic. This cost the company a lot of money and the dealer actually absorbs it in his own operating costs now. I do not think it would vary the price to any material degree, one way or another.

Mr. KORCHINSKI: A lot of farmers have so-called experts coming around after machinery has been sold to them. Is that the responsibility of the dealer or of the manufacturer, to provide that type of service? It is extra mechanical service.

Mr. FORSYTH: You are suggesting, Mr. Korchinski, where a dealer has attempted to service a machine and has been unsuccessful, and he calls for help to the parent company?

Mr. KORCHINSKI: Yes.

Mr. FORSYTH: It is a responsibility of the management to have competent people to instruct the dealer on service procedure and principles. This so-called expert you speak of would be of that category.

Mr. KORCHINSKI: That is what I thought.

Mr. SOUTHAM: This is a follow-up to my previous question. Several factors were mentioned at former hearings, and one of these was that certain types of industries have been accused of planned obsolescence. I should like to ask the witnesses if there is anything like that in the farm machinery industry—planned obsolescence which would increase the cost of the machinery?

Mr. EMMERT: I think we can dispose of that one quite promptly. The term "planned obsolescence" was generated from the automobile industry with the annual model change. It has since carried over into such items as household equipment, refrigerators, stoves and so on. It is certainly not practical in the farm equipment industry. We have no intention of practising it in the context that the automobile people are alleged to practise it. That is the simple answer.

Mr. SOUTHAM: Personally I am not suggesting you did. I only thought it was a good time to bring the question up, as it was hinted at earlier.

Another thing that was mentioned at the same time, I think, as you mentioned the automobile industry, this is the competition between different companies in the planning of frills, gadgets that are superfluous and that would increase the cost. What is your attitude on that? Do you find that a factor in competition in the machine industry?

Mr. EMMERT: I would find it very difficult, Mr. Southam, to categorize any feature on any one of our machines as a frill.

Mr. KORCHINSKI: A cigarette lighter?

Mr. EMMERT: That is a convenience because we find people are willing to pay for it. They insist on smoking on a tractor and they cannot light a cigarette without a cigarette lighter. You might categorize foam rubber seats as a frill; personally I would not, as I do not want to sit on a tractor for ten or twelve hours on an iron seat. You might categorize a tachometer as a frill; I do not consider it that, it is a basic tool.

Mr. KORCHINSKI: Fenders?

Mr. EMMERT: I do not consider fenders a frill.

Mr. KORCHINSKI: Why are they not standard equipment? I am probably dealing with the wrong company; I know companies that do not provide them.

Mr. PASCOE: Mr. Chairman, I had a question this afternoon but the point was passed over before I had the opportunity to speak. In view of the motion passed here a while ago asking for more details on the cost factor of production, perhaps I should defer it. I will ask it anyway to indicate what line of questioning we might have at a later hearing. I took some notes this afternoon, and Mr. Emmert said—or I thought he said—that the productivity per man hour in a company's factories has not increased in line with the increases in hourly wages. I imagine this statement will be disputed by witnesses at later hearings. I would like to ask Mr. Emmert if there are any charges or figures in this brief to support his statement, and if we could look at those for a while, if there are such charts.

Mr. EMMERT: Mr. Pascoe, you are quite right; I did say that productivity had not increased in direct ratio to the increase in the wage which you saw here. I am not aware of any specific charts dealing with that particular matter largely for the reasons that I have been giving the committee all afternoon—that is, you have to have a constant article before you can accurately portray for the committee what has really happened to productivity in relation to wages.

Mr. PASCOE: But it is still your opinion?

Mr. EMMERT: It is still my opinion that it has lagged behind wage increases.

Mr. PETERS: On this particular question, could I ask the vice chairman whether any of your plants have what you call in the steel industry C.W.S. or a formal increment wage study?

Mr. EMMERT: You are referring to the incentive wage system?

Mr. PETERS: No, a work unit measurement. Your increment for various categories is based on it—so many points for this or that on a formal basis, so that you would be able to relate productivity to the actual wage factor.

Mr. EMMERT: Mr. Peters, we have several ways of paying our people. I would like Mr. Denton to describe the three formal methods of payment, all of which refer to the measurement of work.

Mr. PETERS: Is the witness familiar with C.W.S. used in steel plants?

Mr. DENTON: We have no plan comparable to that. That is an evaluated plan that is not, to my knowledge, based on productivity. I may be wrong but we have not got that type of plan. We have three systems of payment: an incentive plan in which your earnings increase according to the effort you put into your work with a minimum base guaranteed rate. We have what we term a measured day work plan in which you have a guaranteed day work rate, and we expect a certain output; and then you have a straight day work type plan which would be for toolmarkers and other labour that you cannot readily measure. There are therefore three types of plans, and none of them are comparable, really, to the type of measurement you indicated.

Mr. EMMERT: Mr. Peters, you are on to a very interesting subject here, from our point of view. I gather, from reading something about the committee members, that there are a number of employers on the committee, either in term of farmers, industrialists or businessmen. Is it the experience of any of the members of the committee that the productivity of their workers has improved commensurate with wage increases they have had to grant?

Mr. PETERS: Just as an example—it may be a joke and all that.

Mr. EMMERT: It is no joke.

Mr. PETERS: Take for instance the hired man on a farm. We used to have four or five hired men and now one hired man and a farmer can do the same work on milking machines where it was impossible for them to do it by hand, while wages have gone up. I think it could be assessed how much more money was being paid to hired help on the farm in comparison to what it was in those years when they milked by hand. I think the milking machine and the stable cleaner has made it possible for one hired man to clean the stables for that number of people. We are only dealing with those employers who are farmers. I think there is not a farmer here who will not agree that there is a relationship between productivity of his hired men and the wages he pays them. This was maybe a facetious remark in the first place, but I know that on the farm we have at home, my father and brother, since they put in a stable cleaner and have milking machines and other assets where they used to use three hired men and sometimes more, and also the farm equipment they now use, they very seldom have more than one boy working on the farm in the summer. There is only one hired man. Fifteen or 20 years ago we used to have two or three and sometimes more men. So while it is true that the wages are three times as high as they were then—

Mr. HENDERSON: Five times as high.

Mr. PETERS: We used to pay good wages on the dairy farm. There is a relationship, and I would be surprised if there was not some method of ascertaining the relationship in plants. Now the bonus system which you are talking about in two of the plants you have, would be an indication that you

are increasing your productivity or your bonus system and your wage increase would disappear because you still know what your unit of work is and you know the wage you are paying, the total volume of units. Anything you pay over that is a bonus system actually, which is an incentive. You can ascertain quite easily whether you are getting some type of increased production. It may not be directly proportionate but I would suggest there is some kind of relationship.

The CHAIRMAN: I hope the supplementary questions will not develop into full length speeches.

Mr. HORNER (*Acadia*): Is it a statement or a question?

Mr. PETERS: It is an important factor, if you are going to talk about wages and productivity.

Mr. EMMERT: Mr. Chairman, I have a brief comment in response to Mr. Peters' very lucid, I thought, statement. You have made the point perfectly, Mr. Peters, that in order to improve the productivity of your hired man you had to make a capital investment. I submit that our industry has not made enough money to allow us to make the capital investment to obtain the productivity gains that we might otherwise have had. I know perfectly well, standing here tonight, how to increase the productivity of Massey-Ferguson Limited—that is, to replace all of our Canadian plants. I do not mean to replace them out of the country but to replace them, build new ones. We do not have the funds to do it.

The second point you made—and I thought very well—was that none of this improved productivity on our bonus system, or any other system, necessarily comes from increased effort on the part of the individual. This is why we have a bonus incentive system in an attempt to incite people to work a little harder than the standard. This is the only reason.

Mr. KORCHINSKI: Have you had a reduction in staff since 1954?

Mr. EMMERT: Since 1954? I will ask Mr. Denton.

Mr. DENTON: I have not got the figures available.

Mr. EMMERT: It would be almost dependent on whether our production was up or down.

Mr. NASSERDEN: I have a supplementary question; I was wondering whether there was any possibility that the high prices of repair parts had become an inducement to encourage the sales of new machinery.

Mr. EMMERT: I am afraid I will have to ask to have it rephrased.

Mr. NASSERDEN: I was wondering whether you thought there was any possibility that the high prices of repair parts had become an inducement to encourage sales of new implements.

Mr. EMMERT: First of all, as you know perfectly well from this afternoon, I take strong objection to the word "high". Secondly, I really do not know how I can answer that question. If the price of spare parts is considered to be too high, then the first alternative of the customer is to buy a different brand of machine where he believes he will do without spare parts or where he thinks he can buy spare parts at a lower price. I cannot quite tie the two together.

Mr. MUIR (*Lisgar*): Of course he was speaking of the whole industry, I mean that there would be no point in turning to new machinery if we are all in the same position.

Mr. KORCHINSKI: You also suggested that your prices are comparable, with little variation, to other prices of machinery, so that wherever I go I am out of business or else I am prepared to pay for that piece of equipment.

Mr. NASSERDEN: You said this afternoon your price is set by your competitor.

Mr. EMMERT: I do not think I quite said that, sir. I said that our price was established by the market and demand.

Mr. KORCHINSKI: But it has got to be competitive.

Mr. EMMERT: How many questions are we dealing with?

Mr. KORCHINSKI: Is it competitive or is it not?

Mr. EMMERT: Am I speaking with you or with the other man?

Mr. KORCHINSKI: If you do not want to answer, you do not have to.

The CHAIRMAN: I will ask the committee to address their questions to the chair.

Mr. HORNER (*Acadia*): May I proceed with the question I was going to ask?

Mr. PETERS: Before you leave this, could I ask what you do with your parts after you have set up and you finish the machine, you are finished with the model entirely and I presume you made parts for a number of years to come—or do you do this? Do you farm out parts at all to jobbers by giving them your casting molds, and that sort of thing, or do you control your parts at all times?

Mr. EMMERT: Mr. Peters, there are several categories of parts: one, the kind of parts that come of production tooling. In that case it is obvious we retain tooling to produce production parts, and we attempt, to the best of our ability, to run parts requirements at the same time as we are running production requirements. The second category is in respect of tools that have become passé on production equipment. We retain those tools, and as parts are required we attempt to run the most economical number in view of the past sales and future prospective requirements. We have many, many thousands of tools in our plants simply stored. We are continually in the process of serving those tools to determine whether it would be best to make a lifetime of parts and scrap the tools, save the cost of storage and generate the scrap value of tools, or whether we must retain the tools.

The second part of your question was whether we ever attempted to job out these parts. We would be delighted to do so on these short-run parts. Unfortunately, we cannot find anyone who will take on the business. We have an obligation, so we have no choice.

Mr. NASSERDEN: I believe the witness was on the point of answering my question.

Mr. KORCHINSKI: I interrupted when Mr. Nasserden asked his question.

Mr. NASSERDEN: The witness appeared to be ready to answer.

The CHAIRMAN: I want to be fair to all the members of the committee, but some members have not had an opportunity to make any comments this morning or this afternoon. They have been waiting for some time to make that comment. I hope the committee will recognize some of the members who have not had an opportunity.

Mr. NASSERDEN: If I do not get this question answered now, I will have to ask it later.

The CHAIRMAN: I recognize Mr. Horner.

Mr. HORNER (*Acadia*): My question dealt with manufacturing. We have all agreed that in order to study prices of farm machinery we must look at manufacturing. On page 3 of part (B) of the brief you outline Canadian manufacturing and what percentage of the American market this captures and what percentage of the Canadian market it captures. The total manufactured in Canada is, I understand, in that chart on page 3, \$91 million. I wonder if Mr. Emmert could prepare, or perhaps he has the figure here,

a statement showing this figure. We know their sales for 1960 are \$490 million. What I would like to know is where those sales are manufactured. We see \$91 million manufactured in Canada. In their annual report last year I see \$126 million were manufactured in the United Kingdom. I would like to see a breakdown of the \$490 million—where are they manufactured?

Mr. EMMERT: By country of origin? I do not have those figures but they can be prepared.

Mr. HORNER (*Acadia*): You will make an endeavour to prepare them?

I have another question that, perhaps, may be brought back at another meeting. I asked this earlier on in the evening, and I want to put it again, with regard to the number of employees. I realize there are 35,000 employees with Massey-Ferguson, and perhaps 9,000 in the North American continent. In appendix E they list the numbers employed, the numbers of hourly workers employed in the United States and the number of salaried workers. In order to study the cost appraisal we should have a breakdown, perhaps for a later date, of the number of hourly employees and how this has varied in the past years, and the number of salaried employees and how this has varied over the past years in Canada, in the United States if you wish, and in Massey-Harris generally; and the payroll costs on each.

Mr. EMMERT: Mr. Horner, I was delighted to accede to your request about the country of origin. That is straightforward and simple, and for whatever purpose you have in mind, we are delighted to furnish it. This new request I cannot comply with. The material is simply not available in the form in which you have asked for it.

Mr. HORNER (*Acadia*): I find that hard to believe. I do not mean to be facetious or anything like that, but you must know how many men are employed. You have listed in your annual report 35,000 employees with the company. In a sense, I would wonder how many of those are hourly employees and how many are salary employees.

Mr. EMMERT: Mr. Horner, the traditions of industry vary from country to country. We all know that what is an hourly rate man in North America may or may not be so in some other country. We have companies all over the world who have nothing but salary people. We have right here in North America an example, where Mr. Forsyth in his branches has salary people at work. In the United States branches they are hourly rated people.

Mr. HORNER (*Acadia*): Could I break it down?

Mr. EMMERT: So this is the apples and the oranges?

Mr. HORNER (*Acadia*): What number of employees are actually engaged in production, distribution and administration? Could I have a breakdown of your employees in that regard over the years? What I am trying to get at is this, has the cost of machinery gone up because machine companies are over-administrated to an extent—This is a term the farmers like to accuse them of—or is it because the production workers have increased their wages very much so that they are the culprit, or is it because of excessive and outdated distribution methods? It was suggested by an engineering firm, in the Woods and Gordon report, that distribution methods were out of date up until 1944? This is mentioned in the Woods and Gordon report. The only way we can see into it is by knowing the number of persons employed. We know your sales have increased. We must take every relative factor, of course. If we had an idea as to the number of men employed in administration, the number of men employed in distribution and the number of men actually employed in production, we would then have an idea as to which is outweighing the other to some extent.

Mr. EMMERT: Mr. Horner, I suggest—and again with all due deference to a committee member—that you would have actually no more idea than you have now. Our definition of distribution may or may not coincide with a competitor's; our definition of direct labour may or may not coincide; our definition of indirect labour may not coincide. We change it from year to year.

Mr. HORNER (*Acadia*): I realize that, Mr. Emmert, but if you felt that your definition of production labour or distribution labour would not be interpreted rightly, you would be well advised to table a definition of each of these labours and this would be brought in with the table. Everybody would have it there for their own reference and we could judge it accordingly.

Mr. EMMERT: And after the judging, then?

Mr. HORNER (*Acadia*): We have to come out to a conclusion. We have to bring in some recommendation.

Mr. KORCHINSKI: This is a supplementary question. How do you arrive at an hourly rate, then, if you do not know?

Mr. EMMERT: By the people paid by the hour, sir, as opposed to those paid by the month.

Mr. KORCHINSKI: That is the salaried employee. Therefore you know what your salaried employees are getting per hour. You have to know because you have to divide into something to get an hourly rate.

Mr. EMMERT: We know how much goes out and we know how many salaried people there are and what they are being paid.

Mr. KORCHINSKI: Therefore we can get the salaried ones?

Mr. EMMERT: I did not say you could get it. I said we knew.

Mr. HORNER (*Acadia*): In order to bring this to a head I would so move, that we have all machinery companies before this committee produce the number of their employees over the past few years contributing to administration, distribution and actual production. If the machine companies wish to bring this information before us with their own definition of these categories, it is their privilege and we hope they would do so so that we would not misinterpret their figures. Must I write that down?

The CHAIRMAN: It will have to be in written form.

Mr. EMMERT: Mr. Chairman, I am really quite distressed at the track this inquiry is taking. We came down here to Ottawa with what we considered to be a thoughtful, honest, comprehensive brief in accordance with the terms of reference that were sent to us in the original letter. This apparently is not the case. Our brief is not accepted in the context that we have delivered it. We have said to the committee that the elements of cost that have increased include our labour, we have demonstrated the increase per hour of labour. Now we are asked how many hours of labour are used. This is a different thing. We have demonstrated to the committee that the material—I am referring particularly to steel—has increased exactly by what percentage; and now we are asked how much steel is used.

We have demonstrated to the committee that transportation has increased in cost, yet that apparently is not satisfactory. Now, at this point I must admit to being rather confused as to why we are here. I thought we were here in accordance with the original letter. But this, apparently, is not the case.

I do not think it is appropriate that we could be expected to have answers to a number of questions that have been raised. I do not think it is appropriate that we should be expected to answer some of the questions that have been raised, because it is competitive information that you are asking for.

I suggest once more that the committee would be well advised to hear the balance of the briefs and assimilate all the information that will be willingly given by all the parties to your hearings, and then, if you do not have all the information you want, you may continue the hearings. I have said to you that we will co-operate to the best of our ability. I just do not know what else we could say at this point.

The CHAIRMAN: Might I add a word here. I think in all fairness to Massey-Ferguson and to the other implement companies which will be appearing before us, it is my personal feeling that I do not think it is the desire of the committee that we should delve for or seek out information and bring it from any company before us, that is, information which would be of value to a competitive company.

Mr. HORNER (*Acadia*): I do not want to put Massey-Ferguson on the spot. The Lord knows I have more Massey-Ferguson implements on my farm than any other members of this committee.

Mr. FANE: You say you have more than I have?

Mr. HORNER (*Acadia*): Yes. But I do not want to put Massey-Ferguson in a poor position competitor-wise vis-a-vis their competitors. And in asking for the number of employees they have in distribution, for example, I fail to see why they would be put in an inferior position competitor-wise.

Mr. EMMERT: I would be perfectly prepared to give you the number of employee categories in any way you would like to have them, as of any given date; but I am not prepared to give you the category of employees over the years without a specific and explicit explanation as to the movement of employees, and, in that regard, we cannot do it. We cannot do it because we do not have the records to substantiate the movement of people from one job to another in our company. I certainly could not commit, under any circumstances our Indian company, our South African company, our French company, and our Great Britain company to do that. In the first place, we have only had a Great Britain company for a year. Prior to that it was Standard Motors.

Mr. HORNER (*Acadia*): I realize that. And I realize what I am trying to get at is not an exact figure. If they laid off a man yesterday, that is fine with me. What I am trying to get at is the amount of men employed in distribution, the amount of men employed, just roughly, or approximately.

The CHAIRMAN: Are you using "amount" or the number of persons?

Mr. HORNER (*Acadia*): Well, number means the same as amount, when you are talking about persons employed. I want the number of employees with regard to distribution. We have evidence in the brief that the whole distribution system was revamped after 1944, and that the number of employees in distribution was automatically reduced after that time. This is in the brief, and I can give you the page, if you give me time to look it up.

I want to know how this has affected the production of their machinery, and the amount of people actually employed in production. I think we should try to find the relative per cent with other companies which present briefs before us, as to whether or not in common there is here a lower policy than some of the other companies. We have every right to wonder about the same matter in regard to machine companies. Again, I want to make sure that the committee understands that I have nothing—that I have no axe to grind, particularly in the case of Massey-Ferguson or anyone else. I think their machines are wonderful. That is why I have so many of them.

Mr. PETERS: Would this be agreeable to the vice president.

Mr. HORNER (*Acadia*): Mr. Chairman, there is a motion before the committee.

Mr. PETERS: It seems to me that we should not be too interested in whether you have 2,000 employees in your Canadian plant, or what the actual number is, and exactly what salaried employees you have, or what staff there is among your demonstrators. Could it not be broken down on a percentage basis including the salaries, on some type of basis which would do for our purpose, I imagine, and you could give us the type of information that we are interested in without meeting the objection you would have in using actual terms, and bringing it down to actual dollars and cents.

If the relationship was worked out on a percentage basis, this would indicate to us whether we thought your company was top-heavy, without you being placed in a position of admitting exactly whether it was to-heavy or not.

In other words, if the salaried employess were 75 per cent, and the production employees were 25 per cent, I would assume it was top-heavy. I do not think it would really matter to me what the exact figures were. It could be worked out on a percentage basis, rather than bringing it down to dollars and cents. I can see where there would be some objections, from a competitive position, in reducing it to that level. Would this be part of the objective?

Mr. EMMERT: Mr. Peters, what you really are suggesting is that the committee inquire into the internal affairs of the companies engaged in the farm equipment industry. This is really the suggestion that Mr. Horner and you are making. I do not believe that the terms of reference that we came here on have anything to do with that.

We have demonstrated to you that the prices of farm equipment bear a reasonable relationship to their constituents of major cost—maybe labour and material. Any figures you might derive in respect to salary payrolls, distribution payrolls, hourly rate payrolls, I tell you, as truthfully as I can, would be completely meaningless. They could not be compared as between companies. They demonstrate nothing. I would be prepared to bet the money I have in my pocket, which is not very much—so, if you want to take the bet, do so—that the company itself cannot agree on a definition of a man engaged in distribution. I know it is an impossibility.

I will go further and tell you that the eight Massey-Ferguson men here before you today cannot agree, either. I could claim to Mr. Forsyth, under certain circumstances, that his service men that he has out in the field are distribution people, and that they should be charged into that account; he will argue with me.

I could claim that a stock man in a branch is a distribution man, and maybe he is or maybe he is not; the only man in our organization that we could have complete agreement on as to whether he is chargeable to distribution or not, is the distribution clerk. We have one in Mr. Forsyth's organization—one.

Mr. HORNER (*Acadia*): Would you like to break it down into only three categories?

Mr. EMMERT: I would not like to break it down into any categories.

Mr. NASSERDEN: On a point of order, Mr. Chairman—and it has not anything particularly to do with the last remarks made by the witness—we have heard today, on several occasions, when questions have been asked, the assertion that it would not mean anything to this committee. I think we are

the ones to decide whether it will mean anything, or not, to us. We will not know until we hear some of this information, whether it means anything to us, or not. While in explanation it is all right to offer that as part of the answer, when we hear it time after time it tries the patience of members of this committee. From that standpoint, I would like to say this. Speaking from that standpoint, I should like to say in regard to the price of farm machinery that costs certainly enter into those prices and, if we are to go along with the generalities included in your brief here today, we shall not get down to the meat of the matter that we have been given to discuss and inquire into. So far as I can see we have wasted our time, unless we can get some specific answers to some of the questions that have been asked.

The CHAIRMAN: Mr. Muir, do you wish to speak to the motion?

Mr. MUIR (*Lisgar*): Yes. I am inclined to agree with Mr. Emmert on this particular phase in that, if we get the information we asked for in our previous motion, then this other information which we are now discussing is not really relevant. I think there is a limit to which we can go in investigating private enterprise, in that the witnesses have to be competitive with other companies within the industry. Therefore, I think if in all honesty they give us the information that we required in the previous motion, that should give us the information we need as regards costs.

Mr. KORCHINSKI: Mr. Chairman, when I first got this brief I read it with diligence and studied it closely. I was under the impression it gave us a lot of information. The first statement in it reads like this:

When Massey-Ferguson was invited to submit a brief to the standing committee on agriculture and colonization, our board of directors agreed at once to give full cooperation to your objectives.

Now, our objectives are what? They are that the standing committee on agriculture and colonization be empowered to inquire into the prices of farm machinery and report to the house thereon.

On page 5 of their brief Massey-Ferguson state that their biggest cost factors are steel, labour and transportation. I took the words on page one at face value, and I expected we would get that co-operation. I mean no disrespect but I thought that was important if we were to delve into the prices of farm machinery. Unless we are prepared to admit that costs, such as steel, labour and transportation, are not factors in determining the prices of farm machinery, then we might as well forget them.

Later, in their brief, they mentioned that their profit on sales in 1960 was 2.3 per cent. They have also suggested, on page 4, that the prices charged for their products have not covered costs and provided a fair capital return. In all fairness, I want to bring out the facts behind every statement, and the questions I have asked were in order put the company's position as clearly as possible before the public. I think my people back home expect me to get the facts for them, and it is with that intention we required into every phase of their business.

If there was a type of question which was unfair to ask because their competitors should not hear it, I would have preferred had we been told so and we would have dropped that line of questioning. I tried to drop such a line of questioning myself, which I thought might not be fair, and had we been told this we would have been in a far better position to ascertain what was in the witnesses' minds. I merely place this on the record, because I think we are just running up against a brick wall, both of us having the intention of proving the same thing.

Mr. MILLIGAN: I do not know, Mr. Chairman, if you have had a seconder to the motion, but I should like to second Mr. Horner's motion. I probably would not go so far, except that Mr. Emmert is drawing us out. For instance, Massey-Ferguson have a factory in Toronto which is producing only combines, and surely they could give us a breakdown of the labour costs in making those combines there? I do not think we are concerned about labour costs in foreign countries, but surely the company should be able to give us the costs for the manufacture of one particular machine, centralized in one particular place? I also think we should be able to get some return on sales promotion. Surely the witnesses have a figure on that and also on costs of administration? I believe it would satisfy the committee if we had a rough idea so that I, when I buy a combine, would know the percentage of cost I am paying for labour, for steel, transportation and all the rest of it. I would not want the witnesses to go so far as divulging something which might put them in an awkward position with other companies, but I think we should get this information from all the companies.

The CHAIRMAN: I might suggest to the committee that the original motion, passed earlier in the proceedings, was much stronger than the motion before us now. You are asking for a breakdown of these wages salaries and distribution costs which go into the manufacture of such farm machinery, and I fail to see where you are going to gain any more information under the present motion before the committee.

Mr. HORNER (*Acadia*): I would point out that the committee has an economist hired to guide us, and I think you should consult with him and see if he thinks this is a legitimate question, fairly asked in order to try and arrive at distribution costs. I mean, is it fair to ask all the companies who will be appearing before us about management costs, labour costs and distribution costs?

The CHAIRMAN: Mr. Horner, I am not questioning your question, but pointing out that your motion is not specific. All you say is "for the past few years".

Mr. HORNER (*Acadia*): Then go back to 1954.

The CHAIRMAN: That is in the original motion. You have tied them back to 1954 there.

Mr. HORNER (*Acadia*): In my original motion I wanted a breakdown of wage costs, transportation costs, and something else I cannot remember now for the various machines. Now, however, I am asking for a breakdown of the number of people employed in administration, distribution and actual production. To me they are altogether different.

The CHAIRMAN: For these machines?

Mr. HORNER (*Acadia*): For all these machines of Massey-Ferguson, of Cockshutt when they come before us, of John Deer, International Harvesters and every machine company. To me it is an altogether different question—the amount of wages paid in each category.

Mr. NASSERDEN: Before the motion is put, I want to say that I think the first motion takes care of it. So far as labour costs are concerned, we have that in this brief, pointing out how many people are working.

Mr. HORNER (*Acadia*): No, we have a breakdown of the number of employees in Canada and the United States but they only total 9,000. The com-

pany's annual report says they have 35,000 employees, and that approximately 30 per cent of their production of implements is done in the United Kingdom where wages are a third what they are here—I mean half of what they are here. I certainly think the motion is advisable.

Mr. THOMAS: Mr. Chairman, would you accept a motion or an amendment to defer this motion to the steering committee?

The CHAIRMAN: An amendment would be in order if you would desire to move an amendment to this motion.

Mr. MUIR (*Lisgar*): I will second the amendment.

Mr. HORNER (*Acadia*): What is the amendment?

Mr. MUIR (*Lisgar*): That the motion be referred to the steering committee for discussion with our economist.

Mr. HORNER (*Acadia*): The economist is here.

Mr. THOMAS: I will make the motion, Mr. Chairman, and say a word about it.

Mr. HORNER (*Acadia*): The motion is made. If you are making anything, you are making an amendment to it.

Mr. THOMAS: You can always make a motion to refer a motion. You can defer it or refer it, and this is to refer it to the steering committee for this reason.

Mr. HORNER (*Acadia*): It is an amendment to the motion.

Mr. THOMAS: There is danger of getting into confusion over some of these questions, and I think it is better to take our time over a question like this. I think we should give it thorough discussion and probably the steering committee can get hold of the economist from the Department of Agriculture who should study it.

Mr. HORNER (*Acadia*): There are two of them sitting right behind you.

Mr. THOMAS: There are many of us who have waited all day to ask a few questions. It is about time to adjourn. Therefore, I think it is wise when these motions come up, instead of having them interfere with the routine which we set out to follow this morning, I think the motion should be first dealt with by the steering committee, and I think maybe sounder action would come out of that sort of procedure.

The CHAIRMAN: Mr. Muir, did you second that amendment? Seconded by Mr. Muir. I am ready for the amendment. All those in favour of the amendment to the motion? Contrary?

I declare the amendment lost.

Mr. Horner, will you read your motion?

Mr. HORNER (*Acadia*): The motion is as follows, seconded by Mr. Milligan, that I move that all machine companies appearing before this committee present figures for the years back to 1954 regarding the number of employees in each of the following categories: administration, production and distribution, and the aggregate amount of wages paid in each of those categories.

The CHAIRMAN: Gentlemen, are you ready for the question? All those in favour of the question? Those opposed?

I declare the motion carried.

Mr. HORNER (*Acadia*): Mr. Chairman, can I have the information as to who is on the steering committee?

The CHAIRMAN: Mr. Lahaye, Mr. Smallwood, Mr. Forgie, Mr. Boulanger, Mr. McIntosh, Mr. Peters and the chairman.

Mr. HORNER (*Acadia*): Before we proceed any further, for the benefit of the steering committee and those on it, I wonder if we could ask the economist, Mr. Gratton Haase, who is an economist hired by the government, to answer questions which I wish to put to him.

The CHAIRMAN: Is it agreed to hear Mr. Haase?

Agreed.

Mr. HORNER (*Acadia*): I would like to ask Mr. Haase this as an economist—and I think that is his business as an economist—he having heard the motion that was raised here a while ago dealing with machine companies submitting evidence to this committee. The evidence requested was that they give this committee the number of employees employed in the three categories, distribution, administration and actual production, to the best of their ability, of course. We understand that this is a difficult question for the machine companies to answer, but we ask them to do it to the best of their ability. We also ask them to give the aggregate amount of wages paid in each of these divisions. Now, Mr. Haase, do you feel that this question would aid the committee in studying the prices of farm machinery?

Mr. HAASE: Mr. Chairman, I could not anticipate what the final results of that information would be. I would imagine that some benefit might be derived from it, but I would repeat the warning that the vice-president gave as to the difficulty of defining just what each classification that had been requested contained, and I wonder whether the classification that you gave them is a suitable one to include all the activities of the company, and whether on the basis of that classification you will get the total outlay for wages and salaries which, I presume, is what you want. For example, where do engineering and research services fit into your classification?

Mr. HORNER (*Acadia*): If the companies want to break it down in more than those categories, they would be perfectly in order in doing so. What I wanted was a rough breakdown of salaries and wages, and I listed these three categories. If they want to break it down into a greater number of categories, it is their privilege to do so, and perhaps it would be wise for them to do so. Thank you, Mr. Haase.

Mr. KORCHINSKI: In 1960 they spent \$11½ million in research. This is part of the overall cost. This, as a percentage, could certainly be expressed.

The CHAIRMAN: We have Mr. Thomas, Mr. Horner, Mr. Korchinski, Mr. Hales, Mr. Milligan and Mr. Nasserden all wishing to make some comment. We have had a lengthy day. Is it your desire that we continue in an effort to finish by any reasonable time, or should we adjourn until tomorrow.

Mr. HENDERSON: I move we adjourn. All I have got is a headache.

Mr. EMMERT: Mr. Nasserden, I want to address this remark to you. I think you said earlier that I had been repeatedly stating that whatever information you had been requiring would not mean anything to the committee. I said that much of the information that has been asked for would be meaningless or not meaningful. I have never impugned the intelligence of the committee and its ability to interpret information. What I am trying to drive home is that it is not a practical thing to place a proper interpretation on the kind of information you are hoping to obtain. It will be meaningless, not meaningful.

Mr. NASSERDEN: It depends on how you look at it.

The CHAIRMAN: Before we adjourn, I have a letter from the Cockshutt Farm Equipment Limited addressed to myself as chairman. It reads:

Dear Sir:

In view of the committee's desire to pursue this inquiry to the specifics of cost analysis, we respectfully request a deferment of our scheduled hearing which has been set for Friday, May 5, 1961.

Yours very truly,

J. W. V. Adams,

Cockshutt Farm Equipment Limited,
Brantford, Ontario.

The CHAIRMAN: The only date we could defer this to would be to Monday, June 5. What is the wish of the committee?

Mr. HORNER (*Acadia*): Agreed.

The CHAIRMAN: Is it agreed that they appear on June 5, if that is agreeable to the company?

Mr. KORCHINSKI: I was going to ask if the officials of Massey-Ferguson would be prepared to meet with the committee to-morrow, or would they prefer to meet with us at another date?

Mr. EMMERT: Well, I must say that I have had a delightful time today, so I am quite prepared to meet to-morrow or any other time.

Mr. KORCHINSKI: I have enjoyed your company very much.

Mr. EMMERT: Well, we are perfectly prepared to stay over and meet with the committee tomorrow. I am afraid however that I will not be in possession of any more information of the kind apparently desired to-morrow than I am to-night. But if there are other questions on which we can be helpful we would be delighted.

The CHAIRMAN: The committee will now stand adjourned to meet to-morrow afternoon at 2:30 p.m.

NOTE: Appendix "A" (see this day's morning evidence)—General statement.

Appendix "B"

SALES, PRICES, FINANCIAL ASPECTS AND PROFITS

I N D E X

	<u>Pages</u>	<u>EXHIBIT</u>
1 - SALES	1 to 6	
North American Net Sales by Type of Product		I
North American Net Sales of Canadian Manufactured Farm Machinery by Territory of Sale		II
Canadian Net Sales of Farm Machinery by Place of Manufacture		III
Canadian Net Export of Farm Machinery by Territory of Sale		IV
Summary of Industry Shipments of Self-Propelled Combines in the North American Market		V
2 - PRICES	7 to 8	
Price Movement and Summary of Product Changes:		
- No. 72 Self-Propelled Combine and its predecessors		VI
- Super 92 Self-Propelled Combine and its predecessors		VII
- TO 35 Deluxe Gasoline Tractor and its predecessors		VIII
- MF 35 Diesel Tractor and its predecessor		IX
3 - FINANCIAL ASPECTS AND PROFITS	8 to 11	
Trend Comparison of North American Inventories, Dealer Receivables and Customer Receivables with North American Net Sales		X
Summary of Capital Investment and Earnings - World Wide Operations		XI
4 - SUMMARY	11	

I - SALES

Since its beginning with a small factory opened in 1847 at Bond Head, Ontario, the Company has literally developed with the country to its present world-wide position. Traditionally, its growth has depended heavily on its exports and on its operations in countries outside Canada. This is evidenced by its total sales by territories for 1960, which may be summarized as follows:

<u>Sales by Territories</u>	<u>Millions of Canadian Dollars</u>	<u>Percentage to total</u>
North America		
- Canada	\$ 62.	12.6%
- United States	144.	29.4
	<u>\$ 206.</u>	<u>42.0%</u>
Europe		
- United Kingdom	\$ 66.	13.4%
- France	56.	11.4
- Scandinavia, Germany, Jugoslavia, Austria, Italy and Others	69.	14.2
	<u>\$ 191.</u>	<u>39.0%</u>
Australia, New Zealand, and the South Pacific	<u>\$ 38.</u>	<u>7.7%</u>
Africa, Asia and Latin America	<u>\$ 55.</u>	<u>11.3%</u>
Total Sales	<u>\$ 490.</u>	<u>100.0%</u>

The above shows that North America, with 42% of total sales, was the company's largest market in 1960. This was due to U.S. Sales which accounted for 29.4% of the total - well over twice as much as Canadian Sales which accounted for 12.6% of the total.

To achieve its sales, the company maintains locally managed operations units for the manufacture and marketing of its products in each of North America, the United Kingdom, France, Germany and Australia, together with an International Export Operations Unit for the marketing of its products throughout the rest of the world.

In North America, which is defined herein to consist of Canada and the United States of America, there is a common market for the sale of agricultural machinery and implements in which Canadian and U.S. Companies, engaged in the manufacture and sale of these products, operate freely between both countries. Therefore, a meaningful examination of the Canadian Operation must be encompassed within the broader examination of the North American Operation .

The North American Operation consists largely of the manufacture of Combines at Toronto, and Tractors at Detroit, for sale in the North American Market and, to some extent, for export outside North America. From this North American Operation, the U.S. Market purchases products made by Canadians in Canada, Canadian Dealers enjoy the same prices as U.S. Dealers, and Canada's trade balance with the U.S. is favorably affected.

North American Sales

As may be seen from Exhibit I, attached, sales in the U.S. Market have increased since 1949 to more than offset the loss of sales to markets outside of North America which have virtually disappeared, whilst Canadian Sales have remained fairly constant. The change in composition of the Company's North American sales from 1949 to 1960 is summarized as follows:

<u>Net Sales</u>	<u>1 9 4 9</u>		<u>1 9 6 0</u>		<u>Increase or (Decrease)</u>	
	<u>Millions of Dollars</u>	<u>% to Total</u>	<u>Millions of Dollars</u>	<u>% to Total</u>	<u>Millions of Dollars</u>	<u>% to Total</u>
U.S.	\$ 82.2	51.4 %	\$ 143.2	69.4 %	\$ 61.0	18.0 %
Canada	47.7	29.8	54.9	26.6	7.2	(3.2)
Export	28.6	17.9	5.5	2.7	(23.1)	(15.2)
Other	1.5	.9	2.7	1.3	1.2	.4
Total	<u>\$ 160.0</u>	<u>100.0 %</u>	<u>\$ 206.3</u>	<u>100.0 %</u>	<u>\$ 46.3</u>	<u>-</u>

It is observed that the Company's North American Operation in 1960 was almost 70% dependent on the U.S. Market.

Canadian Manufacture

The impact of North American Sales on Canadian manufacturing, illustrated on Exhibit II attached, shows that increased U.S. Sales have more than offset disappearing sales outside North America. The change, from 1949 to 1960, in markets in which Canadian manufacture is being sold, is summarized as follows:

North American Net Sales of Canadian Manufacture	1949		1960		Increase or (Decrease)	
	Millions of Dollars	% to Total	Millions of Dollars	% to Total	Millions of Dollars	% to Total
U.S. Sales	\$ 36.6	45.1%	\$ 58.0	63.1%	\$ 21.4	18.0%
Canadian Sales	27.8	34.2	30.9	33.6	3.1	(.6)
Total North American	\$ 64.4	79.3%	\$ 88.9	96.7%	\$ 24.5	17.4%
Sales outside North America	16.8	20.7	3.0	3.3	(13.8)	(17.4)
Total	\$ 81.2	100.0%	\$ 91.9	100.0%	\$ 10.7	-

It is, therefore, seen that the Company's Canadian Manufacture in 1960 was 63% dependent on the U.S. Market, an increase of 18% from 1949, which offset a decrease in sales outside North America.

Canadian Sales

In Canada the sale of Canadian manufactured products (Combines) is greater than sales of U.S. manufactured products (Tractors), as may be seen on Exhibit III. The change from 1949 to 1960 in the composition of Canadian and U.S. manufactured goods sold in Canada may be summarized as follows:

Canadian Net Sales by Source of Manufacture	1949		1960		Increase or (Decrease)	
	Millions of Dollars	% to Total	Millions of Dollars	% to Total	Millions of Dollars	% to Total
Can. Manufacture	\$ 27.8	58.3%	\$ 30.9	56.3%	\$ 3.1	(2.0)%
U.S. Manufacture	19.9	41.7	19.3	35.1	(.6)	(6.6)
	\$ 47.7	100.0%	\$ 50.2	91.4%	\$ 2.5	(8.6)%
Manufactured outside N. America			4.7	8.6	4.7	8.6
Total	\$ 47.7	100.0%	\$ 54.9	100.0%	\$ 7.2	-

As can be seen from the above, Canadian Manufacture of Sales in Canada (Combines) has reduced from 58.3% of total sales in 1949 to 56.3% in 1960. This 2% decrease, together with a 6.6% decrease of U.S. Manufactured goods, has been replaced by an 8.6% increase in sales of Manufacture from outside North America, (mostly from Tractors from the U.K.). It is also pointed out that the U.S. Manufactured Tractors, in terms of net sales dollars, now contain about a 40% U.K. manufacture content principally due to Perkins Engines made in the U.K. by the Company.

The trend of the Company's sales, in Canada, from 1949 to 1960, shows that the sale of tractors made in the U.S. and the U.K. is increasing faster than the sale of combines made in Canada. Nevertheless, the largest sale of products in Canada is still of Canadian Manufacture (56.3%), mainly self-propelled combines.

Canadian Exports

Basically, the Company exports combines to the U.S. from its Canadian Manufacture, and imports tractors from its U.S. Manufacture. As may be seen from Exhibit IV, attached, this has resulted in a net export from Canada of \$37 million (in terms of net sales dollars) in 1960. The change, from 1949 to 1960, in the composition of net export of Canadian Manufacture may be summarized as follows:

Net Exports of Canadian Manufacture	1949		1960		Increase or (Decrease)	
	Millions of Dollars	% to Total	Millions of Dollars	% to Total	Millions of Dollars	% to Total
<u>U.S.</u>						
Export	\$ 36.6	109.3%	\$ 58.0	156.8%	\$ 21.4	47.5%
Import	19.9	59.4	19.3	52.2	(.6)	(7.2)
Net Export	\$ 16.7	49.9%	\$ 38.7	104.6%	\$ 22.0	54.7%
<u>Outside N.A.</u>						
Export	\$ 16.8	50.1%	\$ 3.0	8.1%	\$ (13.8)	(42.0)%
Import	-	-	4.7	12.7	4.7	12.7
Net Export	\$ 16.8	50.1%	\$ (1.7)	(4.6)%	\$ (18.5)	(54.7)%
Total	\$ 33.5	100.0%	\$ 37.0	100.0%	\$ 3.5	-

The foregoing illustrates that the loss of exports from Canada to territories outside North America has been offset by the gain of exports from Canada to the U.S. to maintain a favourable trade balance to Canada of \$37 million in 1960. Since Canadian sales to the U.S. market largely consist of Self-Propelled Combines manufactured in Toronto, the maintenance of the Company's Exports from Canada is largely dependent on the U.S. market for self-propelled combines.

Position in the North American Self-Propelled Combine Market

In order that Massey-Ferguson may continue volume production of self-propelled combines in Canada, the Company must at least continue to obtain its present share of the United States self-propelled combine market as well as maintain present penetration in the Canadian market.

The U.S. self-propelled combine market has grown steadily from an estimated 55.7 million dollar market in 1949 to an estimated 149.2 million dollar market in 1960 - a market equal to approximately 60 percent of the total 1960 Canadian Agricultural Machinery Market. During the same period - 1949 to 1960, the Canadian self-propelled combine market grew from 19.6 million dollars to 27.0 million dollars in 1960, a 38% increase compared with a 166% increase in the United States.

It is anticipated that the U.S. market will continue to expand, both in total units and dollar value as the market is still in a transition stage from small type machines to the larger capacity self-propelled types, whereas in Canada the transition has already occurred, particularly in the major grain production areas of the Prairie Provinces. Therefore, the growth potential for self-propelled combines is primarily in the U.S. market.

Measured in terms of number of self-propelled combines sold during this period, the growth has been similarly spectacular as the quantities increased in the United States from 21,452 units in 1949, to an estimated 28,956 units in 1960, a 35% increase. In Canada, the number actually decreased from 5,746 units in

1949, to 4,861 in 1960, having reached peak sales in 1952 of 10,585 units.

Annual data, in units and dollars, are shown in Exhibit V. The lower percentage movement in units compared to dollars reflects the trend to larger units.

Massey-Ferguson's share of this North American market has declined over this same period, from approximately 50% in 1949 to 30% in 1960. In 1960, the Company maintained this share despite a 27% decline in the U.S. market caused by unfavourable conditions and outlook during the normal buying period. Some improvement is expected in the 1961 market, and an upward trend is anticipated over the next three years.

The decline in Massey-Ferguson's share of the market has been largely due to increased competition from competitive combines being offered by leading U.S. companies. Massey-Ferguson had introduced its self-propelled combine in 1939, just prior to World War II. As a result, the Company entered the post-war market with a tested and proven machine that no other competitors had. At the same time, competitors had difficulty in producing competitive machines quickly because of shortages, etc. in the early post-war years.

This favourable situation temporarily offset the basic advantages of the major U.S. manufacturers, namely, more favourable location in relation to the market and more firmly entrenched commercial position.

By the early 1950's, these temporary favourable advantages to the company were largely offset by the fact that our competitors had developed acceptable self-propelled combines that substantially reduced our degree of product superiority. The period of the Company's superiority was not long enough to permit building of a strong Marketing organization in the U.S., or strong "brand" loyalty among farmers comparable to that enjoyed by leading U.S. Companies. This resulted in a gradual decline in market share until the current period, by which time our Marketing organization has been strengthened, and improved products developed.

2 - PRICESPolicy

The Company is well aware that it must give the best value it can for the price it receives, not only to meet competition but, more important, to satisfy the customer. Since our customer is the farmer, we must satisfy him by ensuring that he gets the best possible value for his dollar if he is to be successful. The success of the farmer is vitally important to the company, since the Company's future success is dependent upon the farmer's future success.

The Company's policy of pricing for the North American Market means that the Company does not charge more in Canada than it does in the U.S. - for example, our F.O.B. factory price is identical on a combine shipped to any location in North America. This gives Canadian customers the advantage of price resulting from our participation in the large U.S. Home Market.

Price Movement

In examining the price movement, it must be kept in mind that the Company can only suggest a list price and that the real price to the farmer is a matter between the farmer and the dealer. The Company, therefore, does not know the real price that the farmer actually pays the dealer, which involves such things as trading down from list price and valuation of equipment traded in. Our price movement, therefore, does not take into account prices of Company products beyond the published suggested list prices and allowances therefrom to dealers.

On Exhibits VI to IX, attached, the Company's price changes from 1949 to 1960 for four representative products (and their predecessors) sold in Canada, have been set forth together with the Dominion Bureau of Statistics Farm Machinery Price Index. Since the Company's prices are set forth in terms of Standard Recovery from Dealers, it is not directly comparable with the Farm Machinery Price Index which is in terms of retail values; however, a comparison is made to show that the Company's prices are following the same trends as the Farm Machinery Price Index. It should be further understood that the "Standard Recovery from Dealer" is reduced by price concessions from time to time in the form of (a) trading allowances as models approach a slow-moving condition due to introduction of new models, or (b) Sales Program allowances, from time to time, to offset seasonal short term fluctuations in the market, which we must correct in order to maintain regular production levels in our factories.

In addition to changes in Price Movement, a summary of Product Changes from 1949 to 1960 in the representative products sold in Canada is set forth on Exhibits VI to IX so that they may be examined in relation to the Price Movement.

3 - FINANCIAL ASPECTS AND PROFITS

As previously mentioned, a meaningful examination of the Canadian Operation must be encompassed within the broader examination of the North American Operation because the Company operates in a North American common market. This applies also to an examination of the financial aspects.

Financial Aspects

Since 1949, the competitive situation has resulted in an increasing amount of North American inventory at the dealer level to provide customer's requirements for a wide selection of products immediately available to him

close to his location. In order to illustrate the increase in investment resulting from this requirement, Exhibit X sets forth the North American Company inventories, dealer receivables and customer receivables in comparison with North American Net Sales. This increase may be further summarized as follows:

North America	1949		1960		Increase	
	Millions of Dollars	% to Total	Millions of Dollars	% to Total	Millions of Dollars	% to Total
Net Sales	\$ 160.0	100.0%	\$ 206.3	100.0%	\$ 46.3	100.0%
Company Inventory	\$ 37.1	23.2	\$ 86.7	42.0%	\$ 49.6	18.8%
Dealer Receivables	4.6	2.9	94.9	46.0	90.3	43.1
Company & Dealer	\$ 41.7	26.1%	\$ 181.6	88.0%	\$ 139.9	61.9%
Customer Receivables	3.2	2.0	46.7	22.6	43.5	20.6
Total Inventory and Receivables	\$ 44.9	28.1%	\$ 228.3	110.6%	\$ 183.4	82.5%

From the above summary it may be seen that where 26.1 cents investment in Company Inventory and Dealer Receivables for each dollar of sales was required in 1949, 88 cents investment in Company Inventory and Dealer Receivables was required for each dollar of sales in 1960 - an increase of 61.9 cents (or well over 3 times as much) since 1949. This increase was caused by an 18.8 cents increase in Company inventory (almost double since 1949) and a 43.1 cents increase in Dealer Receivables (from 2.9 cents in 1949 to 46 cents in 1960). These Dealer Receivables arise from increases in Dealer stocks which, for the most part, do not earn interest.

Customer Receivables consist almost entirely of loans to farmers and, in 1960, the Company has found it necessary to incorporate separate Finance Companies in order to handle these loans more efficiently. Since

1958, 100% of freight and handling charges, duty, excise and sales tax have been included in Retail type payment contracts if requested by the customer, and equipment financed has been covered by life insurance, collision and physical damage at the Company's expense.

Profits

The problems concerning determination of profits are summed up by a quotation from Page 16 of the report on The Canadian Agricultural Machinery Industry, by J.D. Woods and Gordon, Limited, dated April 1956, in connection with the Royal Commission on Canada's Economic Prospects. The quotation is as follows:

" Profits on Canadian Agricultural Machinery Companies -

It would be practically impossible to provide an accurate statement of the relative profits made by the four main companies in their Canadian Operations alone. Production is integrated between their Canadian and United States Plants, and different bases are used by the respective Companies for determining the selling prices of the products moving between the two countries. It is equally difficult to separate profits made on Domestic manufactures from profits made on similar goods when imported."

This quotation applies to Massey-Ferguson, one of the "four main companies", as much today as it did in 1956.

A summary of Capital Investment and Earnings of Massey-Ferguson, set forth in Exhibit IV on Page 41 of the above mentioned report by Woods and Gordon, on the Canadian Agricultural Machinery Industry, has been updated and is attached to this report as Exhibit XL .

From Exhibit XI , the following table shows net income or (loss) for the year as a percentage of sales :

<u>Year</u>	<u>Sales</u>		<u>Net Income or (loss) for the Year</u>	
	<u>Thousands</u>	<u>of Dollars</u>	<u>Thousands</u>	<u>% to</u>
			<u>of Dollars</u>	<u>Sales</u>
1939	\$	21,046.	\$ 705.	3.3%
1946		72,393.	2,126.	2.9
1950		164,128.	17,541.	10.7
1954		297,732.	7,194.	2.4
1955		285,744.	7,521.	2.6
1956		372,129.	3,159.	0.8
1957		412,411.	(4,737.)	(1.1)
1958		440,109.	13,025.	3.0
1959		475,544.	21,018.	4.0
1960		490,414.	13,154.	2.7
1954 to 1960	\$	2,774,083.	\$ 63,334.	2.3%

4 - SUMMARY

The continuation of the Company's operation in a North American common market, with particular emphasis on the sale of self-propelled combines in the U.S., is necessary to maintain (a) employment in its Canadian factories, (b) a continued favourable trade balance to Canada, and (c) the Company policy of offering the same price for its products to Canadian Dealers as it offers to U.S. Dealers.

In North America the Company's revenue is controlled by competition and its prices generally follow the same trend as the Retail Farm Machinery Price Index of the Dominion Bureau of Statistics.

The Company's World Wide profits, since 1954, have averaged only 2.3 cents on each dollar of net sales.

EXHIBIT 1

North American Net Sales
by Type of Product

Millions
of Dollars

1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960
(11 mos.)

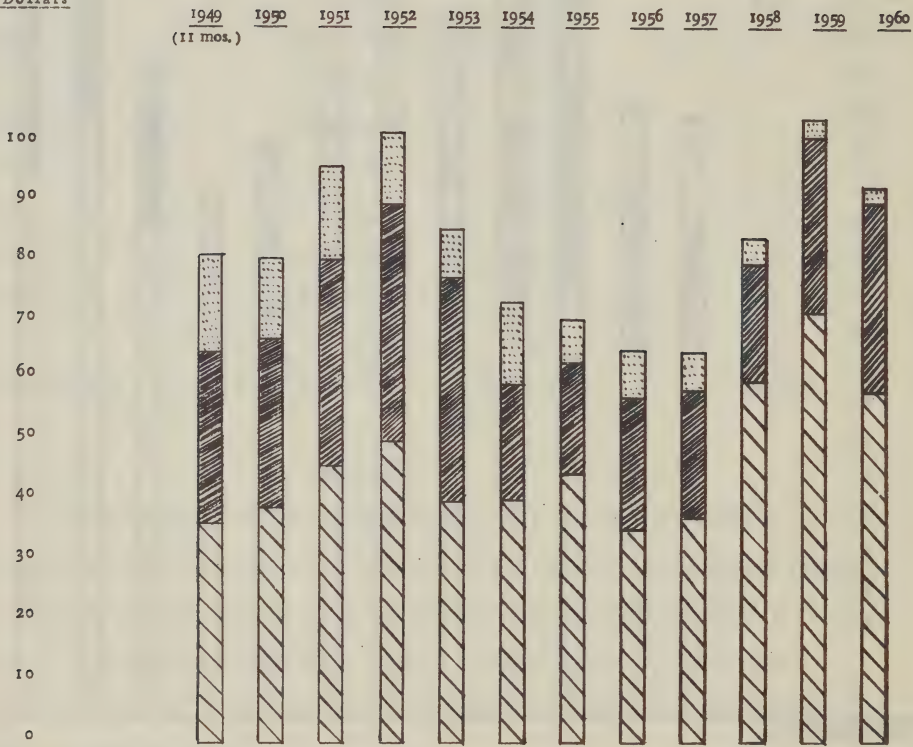


Farm Machinery

U. S.	82.2	92.9	114.5	99.0	74.8	94.5	106.5	95.7	89.3	130.2	161.6	143.2
Canada	47.7	45.9	52.8	57.6	53.4	33.1	32.7	37.2	34.9	35.1	50.2	54.9
Outside N. A.	28.6	23.2	26.9	20.6	12.4	25.9	15.8	14.3	10.0	7.6	5.2	5.5
Total Farm	158.5	162.0	194.2	177.2	140.6	153.5	155.0	147.2	134.2	172.9	217.0	203.6
Machine Tools	1.5	2.1	3.2	3.5	3.6	3.6	3.3	3.4	2.7	2.3	2.0	2.7
Defence	-	-	-	44.1	44.9	42.7	17.0	3.1	.4	-	-	-
Grand Total	160.0	164.1	197.4	224.8	189.1	199.8	175.3	153.7	137.3	175.2	219.0	206.3

North American Net Sales
of Canadian Manufactured Farm Machinery
by Territory of Sale

Millions
of Dollars






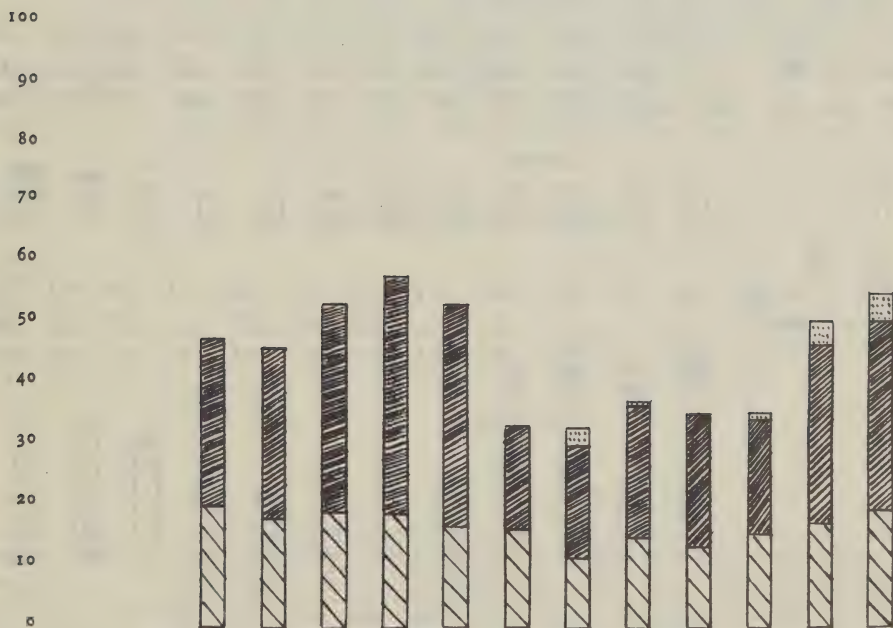
U. S.		36.6	38.9	45.9	50.0	40.0	40.2	44.4	35.1	37.0	59.9	70.9	58.0
Canada		27.8	28.1	34.1	39.4	37.2	17.1	18.1	22.0	21.7	19.3	29.3	30.9
Outside N. A.		16.8	13.4	15.7	12.2	7.9	15.5	7.6	8.2	6.4	4.6	3.1	3.0
Total		81.2	80.4	95.7	101.6	85.1	72.8	70.1	65.3	65.1	83.8	103.3	91.9

EXHIBIT III

Canadian Net Sales
of Farm Machinery
by Place of Manufacture

Millions
of Dollars

1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960
(11 mos.)



U. S. Manuf.	19.9	17.8	18.7	18.2	16.2	16.0	11.7	14.4	13.2	14.6	17.2	19.3
Can. Manuf.	27.8	28.1	34.1	39.4	37.2	17.1	18.1	22.0	21.7	19.3	29.3	30.9
Outside N. A.	-	-	-	-	-	-	2.9	.8	-	1.2	3.7	4.7
Total	47.7	45.9	52.8	57.6	53.4	33.1	32.7	37.2	34.9	35.1	50.2	54.9

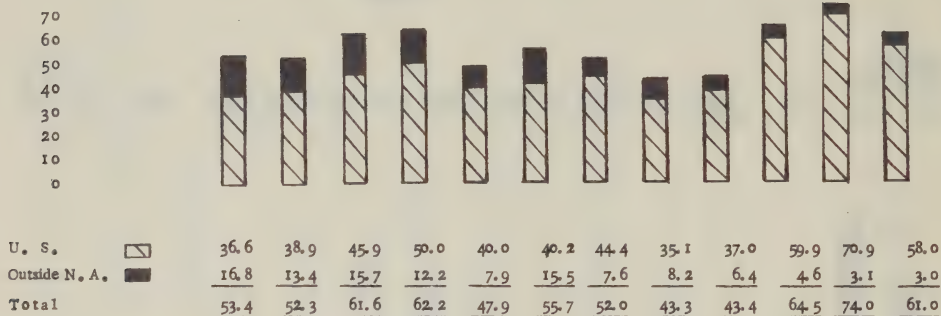
EXHIBIT IV

Canadian Net Export
of Farm Machinery by Territory of Sale

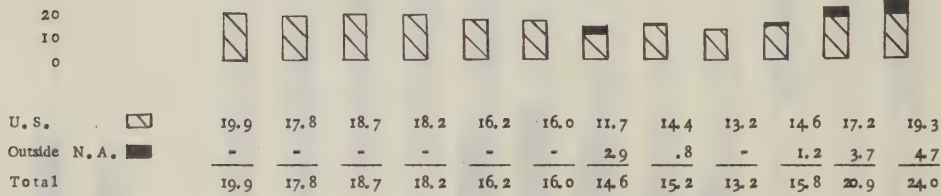
Millions
of Dollars

1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960
(11 mos.)

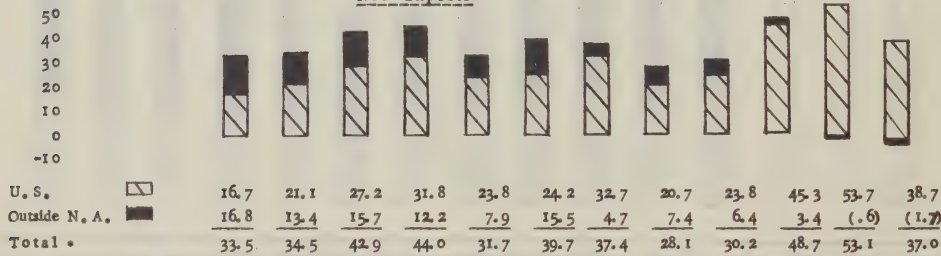
Exports



Imports



Net Exports



* Note: Net exports from Canada, in terms of sales dollars, from 1949 to 1960 inclusive, amounted to \$ 460,800,000.

Summary of Industry Shipments
of Self-Propelled Combines
North American Market

EXHIBIT V

Thousands
of Units

1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960

Units

50

40

30

20

10

0



U.S.(1)

Canada

Total

21.5	18.7	22.2	24.4	20.3	20.0	23.0	16.5	21.7	35.1	39.8	29.0
5.7	6.2	8.0	10.6	10.1	3.4	3.6	3.9	2.4	3.2	4.9	4.9
27.2	24.9	30.2	35.0	30.4	23.4	26.6	20.4	24.1	38.3	44.7	33.9

Millions
of Dollars

Dollars
(Approximate Wholesale Values)

180

160

140

120

100

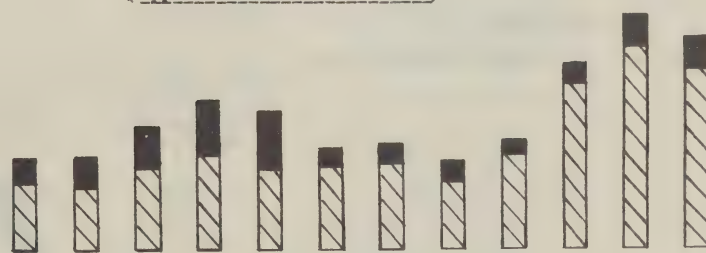
80

60

40

20

0



U.S.(1)

Canada

Total

55.7	52.6	69.3	79.8	68.6	69.1	72.2	55.5	79.2	135.7	165.1	149.2
19.6	23.0	33.0	45.6	46.6	14.9	15.8	19.4	12.3	16.3	27.0	27.0
75.3	75.6	102.3	125.4	115.2	84.0	88.0	74.9	91.5	152.0	192.1	176.2

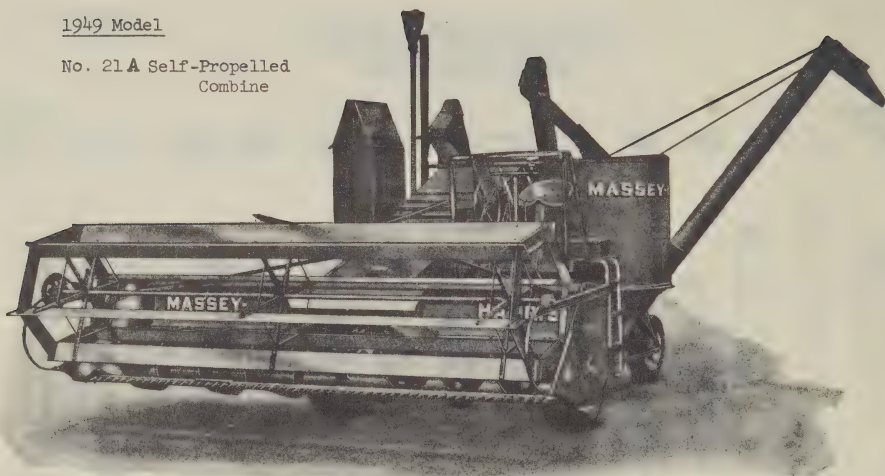
Source : U.S. Dept. of Commerce, Current Industrial Reports
Dominion Bureau of Statistics, Farm Implement and Equipment Sales
Dominion Bureau of Statistics, Trade of Canada - Exports

Notes: 1) U.S. domestic shipments plus exports of combines from Canada to U.S. Export Statistics for class Reaper Threshers or combines known to include small quantities of machines other than self-propelled combines.

2) 1960 figures estimated.

1949 Model

No. 21 A Self-Propelled
Combine

1960 Model

No. 72 Self-Propelled Combine - grain tank
12-ft. table and reel
12 x 26" 6-ply drive wheel tires
straw spreader

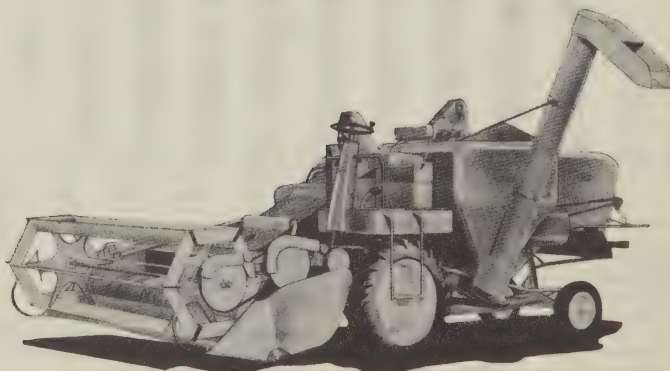


EXHIBIT VI

PRICE MOVEMENT AND SUMMARY OF PRODUCT CHANGES

1949 to 1960 inclusive

NO. 72 SELF-PROPELLED COMBINE and its predecessors

M-F PRICE MOVEMENT

Fiscal Year most affected	Machine Model	Effective Date	Standard Recovery from Dealers		Retail Farm Machinery Prices D.B.S. Index (1949 = 100)
			Amount	MF Index (1949 = 100)	
1949	No. 21A	Sept. 19/48	\$2,966.	100.0	100.0
1950	No. 26	Feb. 17/49	2,937.	99.0	104.3
1951	No. 26	Feb. 28/51	3,236.	109.1	118.0
1952	No. 26	Oct. 29/51	3,313.	111.7	123.4
1953	No. 70	Aug. 20/52	3,313.	111.7	124.2
1954	No. 60	Nov. 12/53	3,333.	112.4	125.0
1955	No. 60	Dec. 1/54	3,392.	114.4	125.6
1956	No. 60	Oct. 1/55	3,629.	122.4	132.3
1957	No. 60	Dec. 17/56	3,829.	129.1	141.4
1958	No. 60	Mar. 17/58	3,864.	130.3	149.5
1959	No. 72	Mar. 17/58	4,243.	143.1	156.9
1960	No. 72	Nov. 1/59	4,261.	143.7	160.6

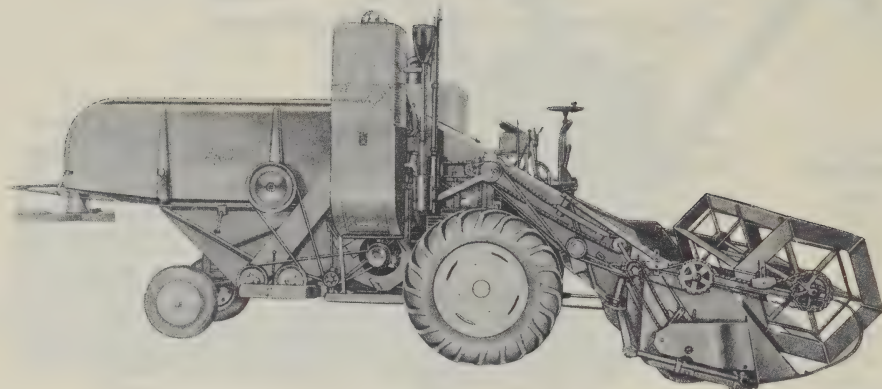
SUMMARY OF PRODUCT CHANGES

Item	No. 21A (1949)	No. 72 (1960)	Function	Remarks (See Note below)
Travel Speeds	4	Variable in 3 Gear Range, hyd. controlled	Travel rate to fit cond- itions, fast transport	I & 2
Brakes	Parking only	Dual, steering	Aids precise control	I & 2
Drivewheel Tires	9 x 24	12 x 26	Aids traction, works over muddy ground	I & 2
Reel Spider construction	Wood	Steel	Reduced maintenance	3
Removing Table for transport	Considerable disassembly	Simple removal	Prompt conversion	3
Table Height adjustment	Electrical	Hydraulic	Faster and more dependable control	I & 4
Feeder Mechanism of table auger	Beater	11 Fingers	Positive feed of crop into combine	1
Engine size - Cu. in. displacement	217.8	230.2	Increased Horsepower	1
Rate of Unloading	20. bus. min.	35 bus. min.	Shorter stops	I & 3
Unloading Auger	Rigid	Folding	Quick transport & storage	I & 3
Seat & Support	Steel Pan on Flat Spring	Padded adjustable with back rest folding cushion	Operator comfort	2
Position of Steering Post	Vertical	Inclined	Operator comfort, Operator convenience	2
Visibility	High air chute	Low air chute	Ease of observation	2
Lower air chute	Vertical	Horizontal	Gives visibility, easy transport and storage	I & 2
Cleaning Sieves	Choice of 3 Flat sieves	Finger Quick Adjustable Sieve	Easy to adjust for varying crops	I & 4
Concave Setting	Feeler Gauge	Indicator on Dial	Simplified precision setting	4
Lubrication of bearings	Open bearings	Sealed bearings	Eliminates stops for greasing	I & 3

NOTE: (1) Increases work output, (2) Lessens Operator fatigue, (3) Lessens downtime,
(4) Reduces crop losses

1950 Model

No. 27 Self-Propelled
Combine

1960 Model

Super 92 Self-Propelled Combine - grain tank
12-ft. table and reel
14.9/13 x 26" 6-ply drive wheel tires
straw spreader
power steering

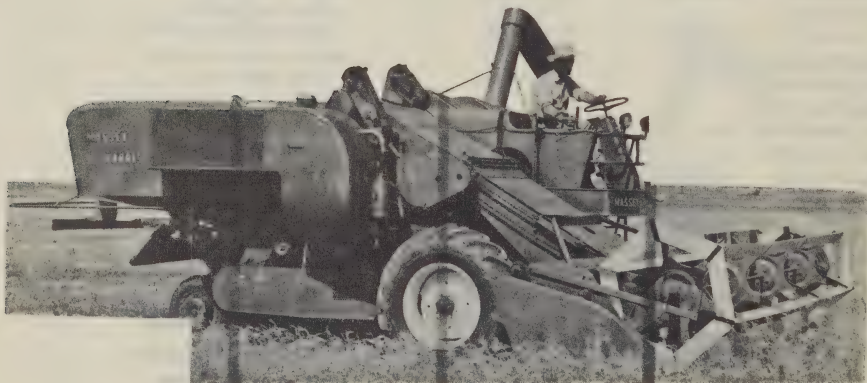


EXHIBIT VII

PRICE MOVEMENT AND SUMMARY OF PRODUCT CHANGES

1950 to 1960 inclusive

SUPER q2 SELF-PROPELLED COMBINE and its predecessors

M-F PRICE MOVEMENT

Fiscal Year most affected	Machine Model	Effective Date	Standard Recovery from Dealers		Retail Farm Machinery Prices
			Amount	M-F Index (1949 = 100)	D.B.S. Index (1949 = 100)
1950	No. 27	Sept. 15/49	\$ 3,377.	99.0 -Note 1)	104.3
1951	No. 27	Feb. 28/51	3,759.	110.2	118.0
1952	No. 27	Oct. 29/51	3,875.	113.6	123.4
1953	No. 90	Feb. 10/53	4,146.	121.5	124.2
1954	No. 90	Nov. 9/53	4,293.	125.9	125.0
1955	No. 90 (Spec.)	Dec. 1/54	4,448.	130.4	125.6
1956	No. 90 (Spec.)	Sept. 27/55	4,716.	138.3	132.3
1957	No. 92	Dec. 17/56	4,963.	145.5	141.4
1958	No. 92	Mar. 17/58	5,014.	147.0	149.5
1959	No. 92	Nov. 10/58	5,485.	160.8	156.9
1960	Super 92	Dec. 30/59	5,673.	166.3	160.6

Note 1) M-F Index from Exhibit VI for 1950)

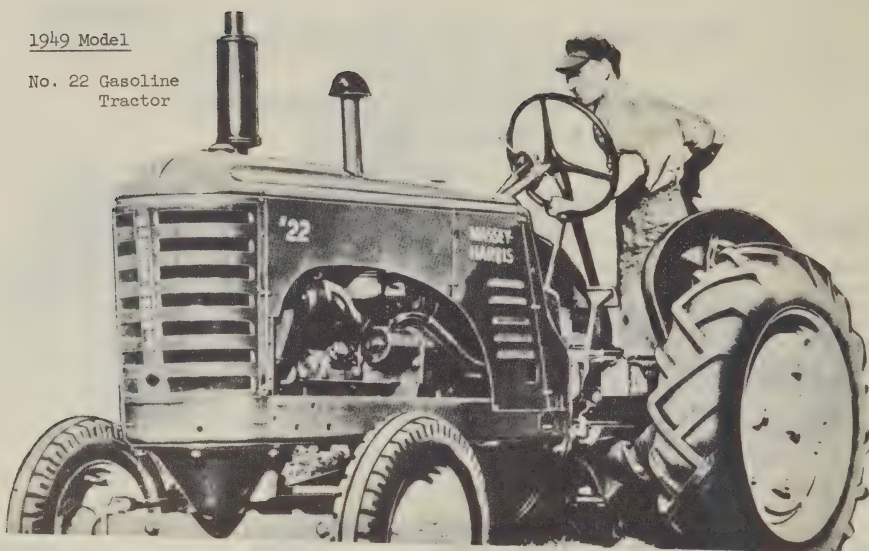
SUMMARY OF PRODUCT CHANGES

Item	No. 27 (1950)	Super 92 (1960)	Function	Remarks (See Note 2 below)
Travel Speeds	Variable in 2 Gear Range	Variable in 3 Gear Range	Travel rate to fit conditions, Fast transport	1 & 2
Brakes	Parking only	Dual steering	Aids precise control	1 & 2
Reel Spider construction	Wood	Steel	Reduced maintenance	3
Removing Table for transport	Considerable disassembly	Simple removal	Prompt conversion	3
Table Height adjustment	Electrical	Hydraulic	Faster and more dependable control	1 & 4
Engine size: cu. in. displacement	250.6	265	Increased Horsepower	1
Fuel Tank Capacity	20 gals.	42 gals.	Fewer stops to refuel	1 & 3
Rate of Unloading	30 bus. min.	35 bus. min.	Shorter stops	1 & 3
Unloading Auger	Rigid	Folding	Quick transport & storage	1 & 3
Seat and Support	Steel Pan on Flat Spring Steel, Folds back	Padded adjustable with back rest folding cushion	Operator comfort	2
Position of steering post	Vertical	Inclined	Operator convenience	2
Visibility	High air chute	Low air chute	Ease of observation	2
Lower air chute	Vertical	Horizontal	Gives visibility, easy transport and storage	1
Cylinder width - in.	32"	37"	Threshing space	1
Separating area - square inches	3232	5686	Separating space	1
No. of straw walkers	4	6	Separating action	1
Cleaning area - sq. in.	2380	3085	Cleaning space	1
Cleaning Sieves	Choice of 3 Flat Sieves	Quick adj. sieve	Easy to adjust	1 & 4
Concave setting	Feeler gauge	Indicator on dial	Simplified precision setting	4
Bearings	Anti-friction bearings	Sealed bearings	Eliminates stops for greasing	1 & 3
Final Drive	Sprockets and chains	Enclosed Gears	Reduces wear and lubrication	3
Power Steering	None	Included	Reduces Operator fatigue	1 & 2
Foot Clutch	None	Included	Aids precise control	1 & 2

NOTE 2: (1) Increases work output, (2) Lessens Operator fatigue, (3) Lessens downtime,
(4) Reduces crop losses

1949 Model

No. 22 Gasoline
Tractor

1960 Model

TO 35 Deluxe Gasoline Tractor - 2 - 3 plow tractor with 11 x 28" rear tires,
live p.t.o., hydraulic system, 3-point hitch,
dual clutch and manual steering

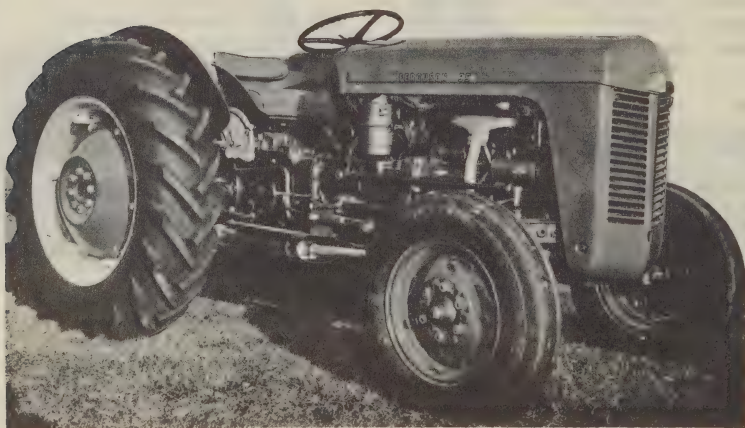


EXHIBIT VIII

PRICE MOVEMENT AND SUMMARY OF PRODUCT CHANGES

1949 to 1960 inclusive

TO 35 DELUXE GASOLINE TRACTOR and its predecessors

M-F PRICE MOVEMENT

Fiscal Year most affected	Machine Model	Effective Date	Standard Recovery from Dealers		Retail Farm Machinery Prices
			Amount	MF Index (1949 = 100)	D. B. S. Index (1949 = 100)
1949	No. 22	Oct. 9/48	\$ 1,173.	100.0	100.0
1950	No. 22	Oct. 17/49	1,133.	96.6	104.3
1951	No. 22	Feb. 21/51	1,142.	97.4	118.0
1952	No. 22	May 1/51	1,142.	97.4	123.4
1953	No. 23	Jan. 14/53	1,266.	107.9	124.2
1954	No. 23	Jan. 14/53	1,269.	108.2	125.0
1955	TO 35	July 15/55	1,603.	136.7	125.6
1956	TO 35	Sept. 27/55	1,665.	141.9	132.3
1957	TO 35	Jan. 18/57	1,752.	149.4	141.4
1958	TO 35	Nov. 1/57	1,767.	150.6	149.5
1959	TO 35	Jan. 2/59	1,856.	158.2	156.9
1960	TO 35	Feb. 1/60	1,864.	158.9	160.6

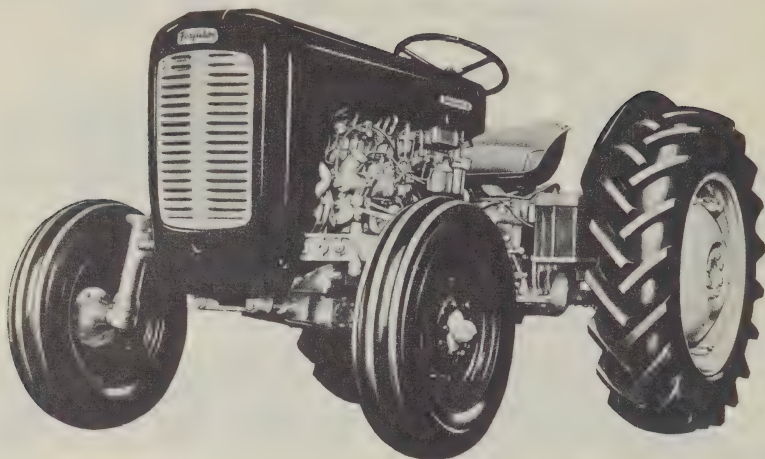
SUMMARY OF PRODUCT CHANGES

Item	No. 22 (1949)	TO 35 (1960)	Function	Remarks (See Note below)
Transmission	4 Forward	6 Forward	Travel rate to fit conditions and engine speed for efficiency	1 & 2
Tire Size	10 x 28"	11 x 28"	Improved traction	1 & 2
Ferguson Hydraulic System with 3-point hitch & draft control	None	Included	Combines the tractor and the implement into an integrated working unit	1 & 2
Tractormeter	None	Included	Shows engine speed, M. p. h., P. T. O. speed and total hours operated	2
Safety Starter Switch	None	Included	Prevents starting while tractor is in gear	3
Engine displacement	140 cu. in.	134 cu. in.	Increased basic power aided by engine improvements	1 & 2
Cylinder and sleeves	None	Included	Permits restoration to engine at nominal cost	4
Rotating Exhaust Valves	None	Included	Longer valve lift	4
Oil Filter	None	Included	Removes harmful particles from the oil	4
Fuel Tank	10 gals. (Imp.)	11.5 gals. (Imp.)	15% more work can be done before refilling	2
Belt or P. T. O. Horsepower	31	33	More power	1 & 2
Power Take-Off Transmission		Continuous	Allows the driven machine to continue operating when tractor motion is stopped	1 & 2
Ground Ratio Drive	None	Included	P. T. O. speed is released to ground speed	1 & 2
Seat	Pan	Foam Float	Operator comfort	2
Configuration	driver high above rear axle	driver low- forward of rear axle	Easier mounting, safer, more manoeuvrable	1, 2, 3

NOTE: (1) Increases work output, (2) Lessens Operator fatigue, (3) Prevents accidents, (4) Reduces upkeep cost

1958 Model

FE 35 Deluxe Diesel Tractor

1960 Model

MF 35 Diesel Tractor
with dual clutch
live p.t.o.
hydraulics
3-point hitch
11 x 28" 4-ply rear tires



EXHIBIT IX

PRICE MOVEMENT AND SUMMARY OF PRODUCT CHANGES

1958 to 1960 inclusive

MF 35 DIESEL TRACTOR and its predecessors

MF PRICE MOVEMENT

Fiscal Year most affected	Machine Model	Effective Date	Standard Recovery from Dealers		Retail Farm Machinery Prices D. B. S. Index (1949 = 100)
			Amount	MF Index (1949 = 100)	
1958	FE 35	Nov. 22/57	\$ 2,053.	150.6 (Note 1)	149.5
1959	FE 35	Aug. 19/58	1,908.	140.0	156.9
1960	FE 35	Feb. 2/60	1,993.	146.2	160.6
	MF 35	May 4/60	2,002.	146.9	160.6

Note 1) MF Index from Exhibit VIII for 1958

SUMMARY OF PRODUCT CHANGES

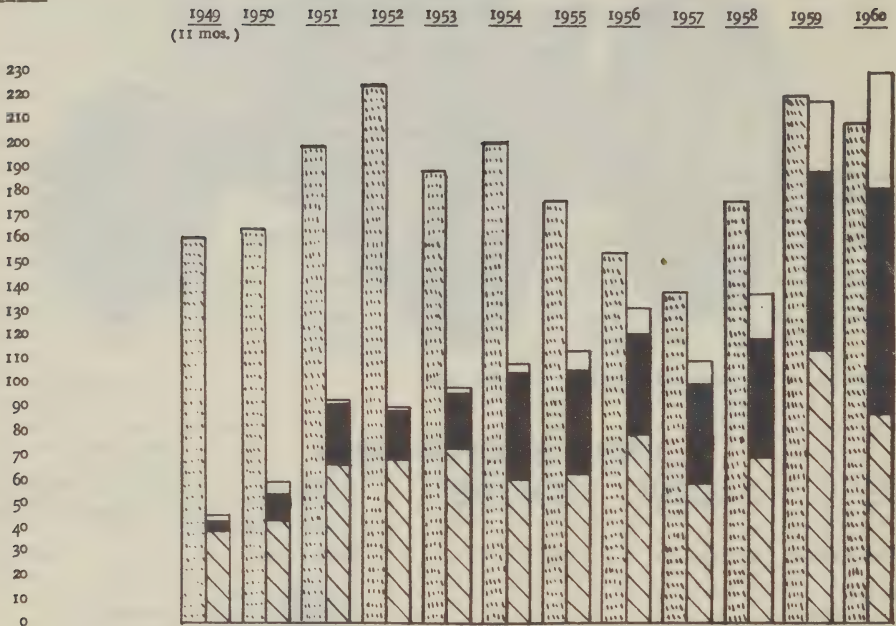
Item	FE 35 - 1958	MF 35 - 1960	Function	Remarks (See Note 2 below)
Displacement	138 cu. in.	153 cu. in.	More power	1 & 2
No. of cylinders	4	3	Reduced number of cylinders require fewer parts for repair, approximately 22% less in value	3
Max. PTO Horsepower	33	37	More power	1 & 2
Fuel consumption	.479 #/Hp. Hr.	.447 #/Hp. Hr.	Less fuel for same work	2

Note 2) (1) Increases work output, (2) Lessens Operator fatigue,
(3) Reduces upkeep cost

EXHIBIT X

Trend Comparison of North American Inventories
Dealers' Receivables and Customers' Receivables
with North American Net Sales

Millions of
Dollars







Sales		160.0	164.1	197.4	224.8	189.1	199.8	175.3	153.7	137.3	175.2	219.0	206.3
Company Inventory		37.1	40.9	65.2	66.6	72.6	58.9	61.6	77.5	57.9	68.8	112.6	86.7
Dealers' Receivables		4.6	13.3	25.8	23.4	24.9	44.8	44.9	42.6	41.7	48.7	75.6	94.9
Customers' Receivables		3.2	5.1	.7	.7	1.1	2.7	7.2	10.5	10.2	19.0	28.1	46.7
Total		44.9	59.3	91.7	90.7	98.6	106.4	113.7	130.6	109.8	136.5	216.3	228.3

EXHIBIT XI

Massey-Ferguson Limited

World Wide Operations

Summary of Capital Investment and Earnings

(Thousands of Dollars)

<u>Year</u>	<u>Sales</u>	<u>Capital and Retained Earnings</u>	<u>Long Term Debt</u>	<u>Profit or (Loss) before Income Taxes</u>	<u>Net Income or (Loss) for the Year</u>
1939	\$ 21,046.	\$ 18,144.	\$ 11,000.	\$ 885.	\$ 705.
1946	72,393.	23,052.	15,000.	4,376.	2,126.
1950	164,128.	50,740.	33,500.	33,816.	17,541.
1954	297,732.	86,956.	47,220.	15,594.	7,194.
1955	285,744.	111,933.	44,936.	13,396.	7,521.
1956	372,129.	154,647.	75,889.	7,734.	3,159.
1957	412,411	145,001.	75,291.	(4,512.)	(4,737.)
1958	440,109.	153,259.	71,128.	21,712.	13,025.
1959	475,544.	193,901.	96,983.	27,164.	21,018.
1960	490,414.	200,927.	93,649.	21,142.	13,154.

NOTES: (1) Massey-Harris and Ferguson Companies were amalgamated in 1953. Amounts shown for 1954 and thereafter are the results of the combined operation.

(2) The 1956 Profit and the 1957 Loss, before income taxes, are before deductions for minority interests of 168 and 225 Thousand dollars respectively.

(3) The 1960 Profit before income taxes is before a special provision for abandoned production equipment, less applicable taxes, of 672 Thousand dollars.

Appendix "C"

ENGINEERING—RESEARCH AND DEVELOPMENT

Farm equipment manufacturers are continually striving to improve existing machines and to develop new machines with major improvements. The very complexity of the problems faced has necessitated the removal of development work from the blacksmith shop into engineering departments staffed with highly trained technical personnel using the most modern technical equipment; dedicated to the development of equipment which will reduce manual labour, work more efficiently, and produce better crops at lower cost.

Engineering in Massey-Ferguson is centrally controlled by the Vice President Engineering but is not physically centralized or consolidated. This is a logical set-up for filling world-wide farm equipment needs. While different national market needs are characterized by a diversity of crops, soils, climates and farm practices, a wide range of market needs can be satisfied with one basic line of farm equipment. Certain local developments and modifications may be required to meet local market requirements or to take advantage of local manufacturing or purchasing economies. These modifications can, in many cases, be anticipated, planned for and accommodated in the basic design and the final details prepared by the local engineering department.

Centralized control offers economies of time, money and talent. It means that an engineering staff with a wide range of skills and facilities is available to the Company as a whole, avoiding duplication at the local level. The duplication of development work in several locations is eliminated and the best engineering talent in the Company can be brought to bear on the most important and difficult developments.

The Engineering Division has the responsibility of translating the

needs of the farmer as developed by Product Planning, into definite products.

This responsibility can be divided into three main broad categories:-

- a) Improvement of present design to provide an increase in performance and/or reduced cost.
- b) Design and development of new and improved models of current products or new products directly related to present Company activities.
- c) Applied research directed towards improving farm technology and, as an end product, farm machines which will work more efficiently, reduce labour and provide better crops at lower cost.

Detail design of a product must achieve the following character-

istics:- proper performance and reliability, safety, ease of maintenance -- capable of volume production and with customer appeal. These characteristics must be achieved at a satisfactory cost.

Laboratory tests are conducted to aid and substantiate theoretical calculations and design. Detail parts, assemblies and complete machines may be subjected to strength tests using modern strain gauge equipment. Simulated cycling tests which are correlated as near as possible to actual operating conditions may be conducted to determine life characteristics of various designs or materials, either on test rigs or a torture track, to obtain the most satisfactory and economical product. Some components, such as the cleaning mechanism of a combine, are laboratory-tested to determine the most satisfactory performance by studying air flow characteristics and material movement. In many cases laboratory tests can be conducted prior to the construction of expensive prototypes, resulting in considerable savings in construction and field test costs. Laboratory tests are also used to ensure

that production components meet requirements. Production machines, such as combines, are tested regularly on the test track as a quality control measure.

Field testing of prototypes is conducted under actual operating conditions prior to release for production to ensure a satisfactory product. In the case of combines, comparative loss tests are conducted to determine efficiency and capacity under varying conditions. These tests pin-point areas of a machine which are lacking in capacity and further field and laboratory studies are conducted, resulting in improved designs. The Toronto field test section has operated combines every month since April 1959 in some area of North America, threshing crops ranging from small grass seeds to corn, grown on dry and irrigated land.

The M-F Super 92 S.P. Combine is an example of a machine developed as a result of detailed laboratory and field testing aiding detail design. This machine with an increased capacity of as high as 29% over the M-F 92 S.P. Combine under certain conditions, with easier adjustments and added features, such as individual turning brakes, was provided with only a minor price increase.

Massey-Ferguson has been responsible for many innovations during the past years. A few are listed below:-

- a) Volume production of a self-propelled combine.
- b) The Ferguson system of mounted implements incorporating weight transfer, which allows the use of more powerful tractors of lighter weight, resulting in lower cost units with consequent fuel savings. This innovation has strongly influenced the whole design of tractors, implements

and other equipment.

- c) Variable speed traction drives for combines allowing better speed control to fit crop conditions.
- d) Sealed bearings on combines to lessen maintenance time.
- e) Low silhouette combines allowing ease of transport and storage.
- f) Ground speed P.T.O. on tractors whereby the operating speed of equipment such as side delivery rakes and various planting equipment can be synchronized with ground speed.
- g) Improved release mechanism for heavy duty cultivator shanks giving increased clearance for obstructions.
- h) Introduction of low cost family size self-propelled combine.
- j) Plated hardware such as nuts and bolts to prevent rusting.

Massey-Ferguson Standardization

Standardization is a very important phase of the world-wide Massey-Ferguson Engineering Division operation.

A standardized procedure covering such items as drawing preparation, release preparation, Engineering standards listing such parts as sprockets, chains, belts, pulleys, bearings and seals, laboratory testing and field testing has been established. This means that products designed in any Engineering department will have a common base for comparison by any other Engineering department.

This also allows the use of existing designs of whole machines or machine components in product development by any Engineering department whether or not the design was originally developed in that

department. The use of existing designs by not obsoleting parts saves Engineering costs and toolage charges. In many cases standardized design results in a lower product cost as more efficient production facilities can be provided to produce larger combined volumes.

Examples of parts used for many years by M-F are given below:-

- a) A combine sprocket released in 1921 is still used on production combines in North America and France and is planned for use on future machines.
- b) A combine cylinder end first used in 1921 was used until 1953 and was replaced in 1954 by an improved version which is still in production and will also replace the original design.
- c) Cylinder bars which were used on a machine from 1941 to 1943 were used on a new model in 1953 and are still used in production.
- d) Implements designed to fit the Ferguson tractor produced in 1939 have not been obsoleted by new, larger tractors developed in recent years. The larger tractors, using a category #2 hitch pin as originally defined by the British Standards Association and now a S.A.E. standard in North America, have provision for the use of category #1 hitch pins used on smaller and older implements. The Ferguson system of mounting implements as originally developed was the basis for the present standards.

Combine straw walker cranks and tractor transmissions are examples of parts which are economically produced in large volumes on specialized toolage.

- a) Cranks are produced in Toronto for combines assembled in North America, France, United Kingdom and Australia.
- b) Transmissions produced on highly automated lines in the United Kingdom are installed in tractors assembled in North America and the United Kingdom.

Industry Standards

A great deal of effort has been expended to compile standards which can be used by the farm equipment industry as a whole. This work in North America has been undertaken by the Advisory Engineering Committee of the Farm Equipment Institute, Society of Automotive Engineers and American Society of Agricultural Engineers.

Listed below are some of the Standards presently in use by the farm equipment industry and followed by Massey-Ferguson Engineering:-

- a) Application of hydraulic remote control to farm tractors and trailing type farm implements.

This standard establishes the specifications that are essential in order that any 540 r.p.m. power-take-off driven machine may be operated by any make of tractor having a 540 r.p.m. power-take-off drive.

This standard also covers the shielding which shall cover the drive line.

b) V-Belt Drives for Farm Machines

The purpose of this standard is to provide agricultural engineers with sufficient technical data to enable them to properly apply V-belt drives to farm machines. Use of this standard will contribute to the design of simple and economical drives that in turn will ensure satisfactory service to the user.

c) Farm Tractor and Implement Disc Wheels

This recommendation covers interchangeability of mounting between 15, 16, 18 and 20-inch farm tractor and implement wheels.

d) Cultivator Sweep and Shovel Mountings

This standard provides the following:-

1. Interchangeability of cultivator shovels and sweeps used on various types of footpieces supplied by the farm equipment industry.
2. A good fit and thereby better support for sweeps and shovels on such footpieces.
3. Ground clearance for the footpiece and the end of the lower bolt when sweeps are set flat.

e) Baling Wire for Automatic Balers

This specification covers annealed baling wire for automatic balers.

f) Specifications for marking Plowshares and other Soil-working Shapes

These specifications are recommended to cover the universal need for identification of materials used in plowshares and other soilworking shapes.

g) Three Point Free Link Hitch Attachment of Implements to Agricultural Wheeled Tractors

This standard specification sets forth the requirements for the attachment of three point hitch implements or equipment to the rear of the agricultural wheeled tractors by means of a three-point free link hitch in association with a power lift. As noted earlier this standard is based on the Ferguson system.

h) Farm Equipment Breakaway Connector

This standard covers a breakaway connector for lighting kit for pull-behind farm equipment. A standard farm equipment safety lamp bracket is also covered. This allows the mounting of one standard lamp on any make of equipment.

i) Agricultural Tractor Test Code

The purpose of this standard is to define test conditions, give a description of the tests to be made, specify data to be obtained, show formulas and calculations, define terms, and establish a uniform method of reporting so that

performance data obtained on various makes and models of tractors, tested in accordance with this standard, will be comparable regardless of where the test is made. This is the procedure for the Nebraska Tractor Tests which ensures factual published information on tractor performance.

The use of the various standards results in saving in engineering time, cost reduction of unit parts due to higher volume production and a very great saving to the user.

Prior to the adoption of the Power-Take-Off Standard, tractors had a variety of take-off spline sizes, various shaft locations and speeds. Implements also had a variety of shaft sizes and take-off locations. Special attachment kits were required to connect many machines and tractors, and a change to either tractor or implement would quite often require a new kit. The need for special attaching kits was eliminated when the standard was adopted.

Recently a 1000 r. p. m. power-take-off for farm tractors has been approved. The higher speed take-off has advantages for certain applications, particularly larger tractors where more power is available. Provision is being made, however, so that conversion assemblies will be available enabling implements and tractors to be changed between standards, thus not obsoleting a great deal of equipment at present on farms.

Standardization of Machines

It would be a benefit to a manufacturer to have a reduction in the number of models of various equipment such as combines and tractors. This would result in greater production efficiency, lower inventories, and simpler distribution and service. However, to satisfy the requests of our customers, product lines are becoming more and more varied.

A case in point is the number of variations of the M-F Super 92 S.P. Combine shown below which are required to satisfy customer requests:-

Super 92 S.P. Combine - Base Machine less variables
listed below.

Standard grain machine for corn.

Standard grain machine with tank.

Standard grain machine with bagger.

Cylinder Variables - one required

Rasp bar.

Spike tooth.

Table Variables - one required except for corn machine

10 ft. table for pickup tank only

12 ft. table and reel tank and bagger

14 ft. table and reel - standard " " "

16 ft. table and reel - standard " " "

Wheels, Tires and Tubes Variables - one required

13 x 26 6 ply R-1 Super Sure Grip Front Wheel

Rear 6.00 x 16 4 ply Rib Implement

13 x 26 8 ply R-1 Super Sure Grip Front Wheel

with rear 6.00 x 16 4 ply Rib Implement

13 x 26 6 ply R-3 All Weather Front Wheel

with rear 6.00 x 16 4 ply Rib Implement

15 x 26 6 ply R-1 Super Sure Grip Front Wheel

with rear 6.00 x 16 4 ply Rib Implement

15 x 26 6 ply R-3 All Weather Front Wheels

with rear 6.00 x 16 4 ply Rib Implement

18 x 26 8 ply R-3 All Weather Front Wheels

with rear 7.50 x 18 4 ply Single Rib

15 x 26 6 ply R2-0 Special Sure Grip Front Wheel

with rear 7.50 x 18 4 ply Rib Implement

There are also the Super 92 S.P. Hillside and Super 92 S.P.

rice version with various combinations, including rubber tires or tracks for the rice version.

Also produced are the 35 S.P., 72 S.P., 82 S.P., 35 Pull-type and 72 Pull-type Combines in various combinations.

It is sometimes advocated that a standard design of products should be produced by all manufacturers or that one manufacturer should produce all of a certain machine such as combines, while another manufacturer would produce tractors. It is felt that this would lower prices and simplify service.

This policy would remove the right of a purchaser to make a choice of equipment and thus indicate his approval or disapproval. Also the use of a common design would slow down the introduction of

improvements and, by eliminating product differences, lessen competition among manufacturers to the probable disadvantage of all concerned. Technological advances cannot and will not be made if design changes are prohibited.

Independent Testing of Machinery

It has been suggested that farm equipment should be tested and test reports issued, similar to the present method of testing tractors under the Nebraska Test Code. The Saskatchewan Government under the Agricultural Machinery Administration at Regina has conducted a number of tests of various types of equipment sold in that province. Reports have been issued covering the results of such tests which provide machinery users with information regarding machine performance.

Massey-Ferguson plans to cooperate fully with the Agricultural Machinery Administration and to use its services as an outside independent test facility for machinery in Saskatchewan. This, we feel, should be the attitude of all reputable manufacturers to such an organization, providing the tests are conducted under similar conditions so that the reports issued are directly comparative.

The equipment developed by farm equipment engineers has resulted in a reduction of the farm labour force in Canada from 1,200,000 in 1941 to 731,000 in 1959. It has resulted in safer and more comfortable machinery to operate, machinery

with less "down time" due to maintenance and breakdowns, more efficient equipment, and in some cases, completely new concepts of equipment. This has all contributed to the material well-being of the farmer.

Appendix "D"

MARKETING, DISTRIBUTION, SERVICING AND FINANCING OF SALES

Since the turn of the century, the farm implement business has grown from a very small operation to one of the major industries in Canada today.

This transition period has seen many changes in the marketing and distribution of farm machinery. Going back to the period 1925 to 1944, the farm equipment companies maintained a large number of Branch warehouses and distributing points, in order to service the numerous agents appointed by each company.

Most companies operated on a distribution system under which they consigned whole goods and parts to the Company's agents. This was necessary to adequately supply implements and parts since rural transportation facilities were very inadequate. Many Branch warehouses were required. Throughout this time, Massey-Harris, as then known, maintained 17 distribution points for whole goods, with 10 supporting warehouses which provided for additional distribution of parts.

In appointing agents, it was found necessary to have these agents close together in order to give adequate service and achieve maximum sales. It was considered necessary to open agencies in almost every hamlet or village.

These Company agents assumed no responsibility other than selling goods, and awaited Company personnel to take settlements. No service was given to the customer by the agent. Consequently, to support this large number of agents meant that Branch distribution points maintained large staffs. To illustrate, a Branch maintained 25

to 30 men on service staff alone. During the autumn collection season, staffs often increased to 60 or 70 men for the collection of retail accounts. Large office staffs of 60 to 70 people were maintained to perform the accounting services. It was necessary to provide temporary staffs of 20 to 30 people in the autumn for stock-taking of whole goods and parts at agencies. This created a costly distribution system which was prevalent throughout these years. In 1937, a House of Commons Committee recommended that the farm equipment industry should attempt to lower the distribution costs in selling farm equipment.

The total number of "Massey" dealers over this period was as follows:

	<u>1935</u>	<u>1939</u>	<u>1944</u>
Saskatchewan	540	481	419
Alberta	334	365	273
British Columbia	27	31	34
Manitoba	225	205	200
Ontario	412	390	383
Quebec	405	395	485
Atlantic Provinces	<u>353</u>	<u>227</u>	<u>163</u>
TOTAL	<u>2,296</u>	<u>2,094</u>	<u>1,957</u>

In 1944, Massey-Harris, took an important major step forward by changing its consigned contract or agency system, to an outright purchase contract. With the changing conditions, better roads, improved rail service, etc., a better distribution pattern began to take shape. This included a program of building bigger and better dealerships, with the ultimate thought and final goal of

giving better service to the farm customer. Other steps followed.

The first was to close many supporting parts warehouses. However, at this time, Massey-Harris still maintained 17 distribution points for whole goods and parts distribution. But the new marketing arrangement reduced the large number of service personnel required, since under the new contract the dealer assumed the responsibility for meeting the major portion of service needs. The staff required for stock-taking was eliminated, and by this time, the retail paper financed by the Company had been reduced to a very nominal amount, thus eliminating the necessity for large staffs of field collectors. This general pattern of operation still remains in effect today. Progress was also made in reducing the number of dealer outlets, and in 1950 these were as follows:

Saskatchewan	373
Alberta	237
British Columbia	38
Manitoba	151
Ontario	267
Quebec	172
Atlantic Provinces	<u>112</u>
TOTAL	<u>1,350</u>

From 1950 to 1958, this distribution system was generally maintained with only minor changes in the number of dealers.

However, in 1958, the Branch distribution system was cut to 11 points, by closing out a number of distribution points known as Sub-Branch operations. In 1959, one additional Branch outlet was closed. In 1960 a further step of amalgamation took place so that the

10 Branches combined into 5. The dealer organization consisted of 886 dealers. Branch operation areas are now located in Calgary, covering Alberta and British Columbia; in Saskatoon, covering Saskatchewan; in Winnipeg, covering Manitoba; in Toronto, covering Ontario; and in Montreal, covering Quebec and the Atlantic Provinces.

Throughout this period of time, the objective was to provide better service to the dealer and to the farm customer at the lowest possible cost.

Supporting the five Branch warehouses are the following numbers of dealers:

Calgary	193
Saskatoon	255
Winnipeg	101
Toronto	161
Montreal	<u>176</u>
TOTAL	<u>886</u>

To summarize this section on organizational changes, many improvements in the Company's distribution were achieved. Massey-Ferguson retail outlets had been cut to less than half the pre-war numbers. When steel-wheeled, horse-drawn equipment was handled by agents, greater numbers of retail outlets were required, if only because of the inadequacy of roads and means of transportation. The dealer with his greatly increased responsibility must now have sufficient area in which to work so that he can effectively render all the services imposed on him.

The dealer became a bona fide businessman, having considerable responsibility. This provided the opportunity to offer bigger and better facilities for the customer at strategically located areas relatively close to their operations.

Dealer Organization

The Massey-Ferguson dealer organization throughout Canada has been upgraded. This program has brought the dealer from a back-street business to a front-line operation. Today, the dealerships are a credit to the community. Dealers are active in their own communities and lend substantial support to their areas through payment of taxes and participation in community endeavours.

Today, the dealer is an independent businessman. He is responsible to his customers for providing adequate machines, parts, and service facilities, together with a trained sales organization. We consider the dealer a key part of our industry in Canada. Adequately servicing our dealers is an expensive part of the distribution system. The dealer's performance represents the Company's success. We are, therefore, continuously instituting policies to improve our dealer organization. This policy is in line with our view that business is placed where it is deserved. We must deserve our patronage.

Dealer Competition

Increased facilities and fewer dealers have not led to a reduction in dealer competition. In fact, competition in the farm machinery industry today is more vigorous than at any time in its

history. In order to survive, a dealer must make a profit, and in order to make this profit, he must of necessity do a large volume of business. Our move toward larger dealerships is a move toward even better, more able men - men with the capacity, imagination, and capital to render a first class service to their community. As a very general comment on the financial affairs of our dealers, we cannot bring ourselves to believe that they are making too much on their capital and management.

Farm customers are prone to seek out the best buy, and with the better road conditions and transportation we find the consumer is travelling many miles from his home area, endeavouring to obtain more for his trade-in machine through higher trade-in allowance and better cash prices. While this practice sometimes yields benefits to the farmer, it may increase his actual machinery costs as he is less likely to use the service facilities of his local dealer. But this is one of the facts of life in a buyer's market.

A dealer today must operate on a sound business basis, he must provide fringe benefits for his employees; radio and newspaper advertising must be maintained; repairs to plant and building must be made; sufficient working capital must be maintained to provide credit on accounts, many of which run past due. Dealers are burdened with such fixed costs as heat, light, water, taxes, etc. They must support charitable and community organizations and, above all, they must maintain a standard within the community which makes them respected

business operators. In order to achieve this, it is readily understandable that a business cannot be run on a "hit-or-miss" basis, but must be well-managed and yield adequate returns on investment and on the dealers time and management skill.

Dealer Volume

Massey-Ferguson's success in achieving larger dealerships, for reasons noted earlier, is reflected in the indicated changes in the volume of business of three dealers selected at random.

<u>Year</u>	<u>SALES VOLUME</u>		
	<u>Dealership 'A'</u>	<u>Dealership 'B'</u>	<u>Dealership 'C'</u>
1948	\$ 62,202	\$ 55,847	\$ 19,700
1955	136,924	99,900	39,200
1958	217,762	100,892	139,640
1960	517,090	228,707	130,300

This suggests that with the larger dealerships and wider territory, a better service to the consumer is provided.

Distribution

The reduction of Branch warehouses has been mentioned. This helped to solve one of the real problems of operating companies, that of the obsolescent inventory. Under the present organization, slow-moving inventories are maintained at only five points in Canada, against a previous ten, and yet adequate service to the consumer and the dealer are given.

Carload shipments have been a distinct help as C. L. versus

L. C. L. rates have a material effect on the ultimate consumer price. Increased strides have been made in the sending of mixed carload shipments to dealers, both from factories and Branch warehouses, thus giving more effective and cheaper service.

Marketing

This department of Massey-Ferguson is responsible for the distribution of whole machines to Branch warehouses and dealers; the organization of field representatives; branch accounting; retail and wholesale credit administration; repair parts distribution to dealers and customers; providing technical service information to dealers; dealer development and organization; general sales promotion and product training; and generally assuring that the end-users receive the service to which they are entitled -- primarily through the dealer -- after they have purchased our products.

Very substantial repair part inventories are maintained at nine Company-owned warehouses strategically located in Canada.

These inventories are supplied through a Central Repair Parts inventory control system with master warehouses located at Brantford, Ontario and Racine, Wisconsin.

Branch repair stocks represent approximately one year's supply of parts that have a movement of 15 or more units each per year in Canada. Parts that show less movement than 15 units per year are considered slow-moving and stocked at Central Inventory Warehouses only.

All Branch parts warehouses in Canada are linked with each other, with the Central Inventory Warehouses and with all U.S. Branches by a "telex" system. This system provides almost instantaneous information as to the nearest location of any required part.

Speedier Service for Customers

The Racine facilities comprise over one-half million square feet of parts stock and handling facilities - the Brantford depot area is approximately 170,000 sq. ft. These locations stock or control some 85,000 current service part numbers for Massey-Ferguson farm machinery. It is interesting to note that 20 per cent of these numbers or approximately 18,000 part numbers account for 95 per cent of our annual sales.

Our Canadian Branch and parts warehouses generally stock in excess of 20,000 numbers each applicable to their particular territories.

With our concept of Central Inventory Control, we have a complete, updated inventory status for all parts at all times for all Branches. This is achieved by means of modern electronic computer systems and all Branches are linked by a highly efficient telecommunication system, allowing for rapid transmittal of information.

For the fluctuating needs of the users of farm equipment, it is possible, therefore, to make full utilization of North American inventories and transfer them with a minimum of delay.

Additionally, an independent Traffic Operation has been set up to service Parts Distribution's needs, and air freight services are utilized to the extent required, allowing for deliveries within hours on emergency orders.

The 20,000 numbers carried in most Branches are those parts which through historical pattern are used to the greatest extent by farmers in each region. Stocks of slower moving parts are also maintained to the degree that analysis indicated they are required. All other parts are supplied from the main depot upon request, direct to a dealer or customer. Such orders are handled on an emergency system basis.

It is felt that our dealer organization has a definite responsibility in giving service, but we do not, by any means, overlook our own responsibility in this area. There is no intention on the part of this Company to transfer the full burden of Parts Distribution and responsibility for carrying inventory solely to the dealer. We do, however, insist that our dealers be cognizant of their share of such responsibility.

Our dealers must assume considerable responsibility in parts servicing and stocking as they are naturally more intimately acquainted with the farmer's annual and day-to-day requirements. It is not feasible, however, for the dealer to stock the slow-moving, non-current and semi-obsolete parts for all machines; rather, he should use his capital to stock all fast-moving parts applicable to

machines he is selling in his particular territory. He can then obtain from a Branch or parts depot slow-moving parts.

In addition to the physical inventory, special communication systems and special transportation facilities with which we support our dealers, we provide many special programs to assist dealers to control inventories and in use of available capital.

At the beginning of each fiscal year we offer each dealer a complete Parts Stock Order Program. This program provides him with the material and guidance to properly order the correct types of parts applicable to machines in his designated territory. Such orders are processed by the Branch during early winter months so that dealers are well stocked in advance of the season for use. Massey-Ferguson offers special incentives to dealers to participate in this program, such as extended terms beyond the season for use, at no expense to the dealer. In so doing we remove the capital problem from the dealer, enabling him to be fully stocked in preparation for the demand. Such programs allow the dealer to canvass customers early to determine and supply their parts requirements for overhaul work well in advance of the season of use.

To further assist our dealers to control inventories we provide them with:

1. A Parts Re-purchase Program.
2. A Parts Return Program.
3. A Parts Purchase Control Program.

Under the Parts Re-purchase Program, the dealer may return to the Company, once a year, for full credit, a given amount of parts based on his past year's purchases.

Under the Parts Return Program, a dealer may return any part within 30 days of receipt, for full credit. Any part that is shipped in error by the Company may be returned for full credit plus transportation both ways.

The Parts Purchase Control Program is a Company established method or system for the dealer to maintain adequate records and history on each part carried in his parts inventory. After working this system for a period of two seasons or more, a very accurate picture of his territory requirements is developed. This enables the dealer to more adequately order those parts - have them on hand to serve his customer's needs.

Special parts representatives are assigned to a specific group of dealers served by each Branch. These men are qualified to assist dealers with proper ordering, stocking, and general distribution of parts to customers.

We continue to make available from Branch and parts depot inventories, all machine parts for a minimum of ten years after discontinuance of production of any machine. On tractors and combines we service parts for a minimum of 15 years, balers for a minimum of 12 years. This does not, however, mean that at the end of these periods we automatically discontinue any parts. As

long as an individual part continues to show any demand for reasonable quantities we will supply it. For example, we currently service parts for machines that were discontinued in production well over 25 years ago because there is a reasonable demand.

Warehousing and distributing agricultural machine parts is a complex and costly phase of the farm machinery business.

As an example, our repair parts sales at dealer net in Saskatchewan for 1960 totalled \$2,797,000. Our Company-owned inventory at Saskatoon and Regina at 1960 fiscal year end was \$2,242,415. Exact value of dealer repair parts inventory is not available, but a reliable and conservative estimate of this amount is \$2,750,000.

Our dealer is responsible for assembling, pre-delivery servicing, delivering new machines, providing after-sale repair part and field service, and the handling, reconditioning and re-selling of used machines. The varied complexities of present day farm equipment, together with the direct effects of weather crops and soil conditions on farm machine requirements, operation and mechanical adjustments make the good farm machine dealer a key man in the agricultural community. His satisfactory operation requires a very substantial capital investment. It therefore follows that the farm machine dealer is entitled to a reasonable return on his investment and satisfactory remuneration for his efforts.

We believe we are now distributing our equipment in the most

economical and efficient manner available to us , and are continuing to improve this distribution as new techniques demonstrate their value.

Zone Marketing Concept

Massey-Ferguson, being fully aware of our rapidly changing times and conditions, is keeping abreast of developments that require new methods and techniques. For continued improvements in the area of good customer service for whole goods and parts, we are now testing in the United States a new Zone Concept -- an entirely new system of distribution on machines and parts. The objectives are to:

1. Improve customer service.
2. Expand field coverage and market penetration.
3. Reduce inventories.
4. Reduce distribution costs.
5. Improve the administration and control of field activities.
6. Provide a flexible system to meet the changing requirements of the Company.

This Zone Concept involves a highly centralized control of all our distribution activities in an area embracing four states and portions of three others. The most modern tele-communication system is used to effect the control. When the value of this concept is demonstrated, it can be adapted to Canada.

Provincial Legislation

Throughout the three Prairie provinces, Provincial

Governments have in the past, taken a very active part in guiding the agricultural machinery industry. This is understandable, as the economy of these provinces depends so heavily on agriculture. This involvement is reflected in laws and administrative orders which impose very specific requirements on farm machinery manufacturers and on their dealers. It is gratifying to note that very few cases have ever led to litigation in these provinces, and none of these involved Massey-Ferguson. In Saskatchewan the government has passed legislation which allows the consumer a 10-day trial period on any equipment. Also, it has established the Agricultural Machinery Administration (the A. M. A.), which requires that each dealer be licensed. In order to get a license, he must meet provincial government standards. In addition to our own testing, the testing of all equipment sold within the province is required at the A. M. A. testing depot in Regina. This means the Company must supply machines at no cost for testing purposes. Our engineers act as liaison with the A. M. A. and this becomes an expensive undertaking. Write-offs on equipment used in testing represent another cost to the Company.

In addition to requiring the Company to absorb the above costs, the A. M. A. requires that test results be published, and the Company has only the prerogative of suggesting "corrections". In many cases the desired changes suggested could prove extremely costly, and at the same time be applicable to only a single area of

North America. It also tends to have customers request warranty and reconditioning on machines after the proper warranty period has expired.

The A. M. A. has created its own standards of dealership operation in respect to volume of parts that should be carried; distances between dealerships; service facilities, and type and nature of dealers' premises. Thus, it frequently becomes difficult to interest promising businessmen in taking up new dealerships.

In the Province of Alberta, the Farm Implement Act requires that we, as a vendor, must maintain two parts outlets within the Province, not less than 150 miles apart. We do not feel, in view of the new and highly mechanized parts distribution facilities we are establishing, that such a requirement will yield better service to owners of Massey-Ferguson equipment.

Statutes in the Provinces of Manitoba and Saskatchewan require special order forms. This means expense to the Company, as the special order forms are applicable to these provinces only, not other parts of Canada. We are also required to provide, at our cost, special warranty forms incorporated in the order form; also a special rejection slip, which is again made at our cost. Should we waive the order form used in these provinces, it means that the trial period for rejection of the machine is increased automatically to 30 days, from the ten otherwise required. It is, therefore, necessary to maintain constant care to see that the forms are

properly completed, burdening us with additional administrative time and expense.

In the Province of British Columbia and the Maritimes, legislation requires registration of new machine notes taken on wholesale sales through the dealer. This is a further expense. Throughout all of Canada, an additional expense to the Branches is involved through the need for maintaining tractor exemption certificates. This requires a considerable amount of book-keeping and time on clerical duties.

Frequency of Model Changes

It has been stated that models are changed too often. Let us cite an interesting case by comparing the 20-85 Ferguson tractor and the 1960 Ferguson "35" -- which are quite similar in appearance. The grey Ferguson tractor was manufactured for a period of approximately nine years before it was superseded by the TO35. At that time, our Marketing Research indicated that the customer wanted:

1. More horsepower. This was increased by four.
2. More economy was desirable.
3. A standard P. T. O. was required.
4. Ground drive P. T. O. was required.
5. Better system of hydraulics.
6. Speed indicator was required.
7. More comfortable seat.

8. Larger capacity fuel tank.
9. Dual clutch.
10. Oil filter.
11. Larger tires.
12. Temperature gauge.

These were all incorporated into the Ferguson No. 35 tractor. This, however, left many of the components identical, and it did not mean a major change in many of the parts that the farmer required. There are many examples of component parts that can be obtained through the Parts Department that were on, as an example, the "21" combines, produced in 1941, as opposed to the present-day machines, and the same may be said of many of the tractor parts. We know that even though some designs such as tinware, etc., on our machines have been changed, the model changes are not, to any degree, like those of the automotive industry.

Buyers' Market

The dealer today is definitely faced with a buyers' market. With improved transportation, farmers are going much farther afield to try to obtain better trade-in values. The customer, exercising his sovereign right, plays one dealer against the other, endeavouring to get his trade price up. We know that the dollars earned by the dealer are entirely in accordance with his ability to trade wisely. The merchandising of second-hand equipment is of prime importance, and he must be able to evaluate used equipment, and also

quickly evaluate the amount required to recondition units he is dealing on. This requires a highly skilled businessman.

Many promotional ideas are used by dealers, such as giveaways, special discounts, free gasoline, along with extensive radio and newspaper advertising, in order to endeavour to beat competition. We give our dealers special off-season discounts as a means of overcoming the high seasonality of sales in our business. Probably the greatest single factor in competition today is country canvassing. The dealer must be alert to this, and be prepared to canvass continually in order to be competitive.

Retail Financing

We would like to make reference briefly to the Farm Improvement Loans Act, which from its inception to the present time, has provided the means for financing large amounts of farm equipment in Canada.

However, due to marketing difficulties and farm income conditions, particularly in Western Canada, the Farm Improvement Loan is not as effective as in the past. We are experiencing continual increases in the requests for retail financing. We have reacted to these needs by establishing a subsidiary company to handle this financing - and it is done at rates considerably below those which apply to automobile financing.

Appendix "E"

LABOUR RELATIONS

Facts About The Company And Its Employees

- (a) The total work force of Massey-Ferguson in North America, as of March 31st, 1961, was as follows;

	<u>HOURLY</u>	<u>SALARIED</u>	<u>TOTAL</u>
Canada	4150	2170	6320
United States	<u>799</u>	<u>2361</u>	<u>3160</u>
Total -	4949	4531	9480

NOTE:

Of the 9480 Massey-Ferguson employees in North America, 6320 (or 67 percent) were located in Canada.

- (b) Almost 55% of Massey-Ferguson employees are unionized. Most of the unionized employees in Canada and the United States are represented by the United Automobile Workers.

In Canada, a multi-plant agreement covers almost all hourly rated workers in Toronto, Brantford and Woodstock - a total of 4134 employees. In addition, the Company had entered into collective agreements with the Draftsmen's Association of Ontario, covering all draftsmen at the Toronto offices, and the International Union of Operating Engineers, covering stationary engineers in the Toronto Factory. Recently, a first agreement was signed between the Company

and the United Plant Guard Workers of America in respect of Toronto Factory guards.

In the United States, separate collective agreements with the UAW cover hourly rated employees at two plants in Detroit and the parts warehouse at Racine. In addition, office employees at Racine are covered under a collective agreement with the UAW. Hourly rated employees at Wichita are represented by the International Association of Machinists and at Kansas City, warehouse employees are represented by the United Mine Workers.

In North America, the Company has entered into 14 collective agreements with various unions covering 5129 employees.

- (c) In Canada, the Company first entered into a collective agreement with the UAW on November 5, 1943 in respect of Toronto Factory employees. Since signing the first multi-plant agreement on September 21, 1945, there have been 10 agreements signed between the parties. In the course of the negotiations of these agreements there have been six Conciliation Boards appointed.
- (d) Only on one occasion over the period of the collective bargaining relationship between the parties, has there been a lawful work stoppage. That was in 1954 when the Toronto local Union refused to sign an agreement that was acceptable to the Brantford and Woodstock locals. The Toronto Factory employees were on strike for 11 weeks from September 11, 1954 until November 29, 1954.
- (e) The current Master Agreement, with a termination date of December 15, 1961, became effective February 5, 1959. Negotiations with the

Union in Canada will likely commence in October, 1961.

Wages

While the Company makes no claim to leadership in the wages and benefit field, the fact remains that even under today's economic conditions, our wages and benefits compare most favourably with those of all Canadian industry, and in particular, the farm equipment industry.

In the wage comparisons set forth below, the data presented are in terms of individual employee earnings rather than total wage costs. The fallacy of using the total wage bill can be illustrated by considering two typical situations:

- i) the total wage cost is influenced by the volume of manufactured components purchased from suppliers rather than produced by the manufacturer. The relationship of components purchased and components made by the manufacturer can change significantly from time to time, thus affecting the total wage bill.
- ii) the total wage cost is influenced by the effect of introducing new techniques and new machines into the manufacturing process. Such a change would reduce the wage cost for hourly rated employees, but at the same time, it usually increases outlays on salaries or capital equipment, or both, since more engineers and technicians are required.

In general, we can say that the total wage bill in relation to value of output or any other measurement signifies nothing relevant to this enquiry.

(a) In December 1960, the most recent date for which comparable figures

are available, average hourly earnings ⁽¹⁾ in the Toronto Factory of the Company compare with the Dominion Bureau of Statistics reports on hourly earnings as follows:

	<u>Average Hourly Earnings</u>
Massey-Ferguson	\$2.19
Agricultural Implements	2.13
Durable Goods	1.97
Transportation Equipment	2.08
Iron & Steel Products	2.09
All Manufactures	1.82

Source: M-F Accounting Records
DBS - Man Hours & Hourly Earnings -
November 1960.

Thus, average hourly earnings in Massey-Ferguson are above the average in industry generally, and above the farm equipment industry in Canada. In fact, they are above the national average in all manufacturing by more than 37 cents per hour.

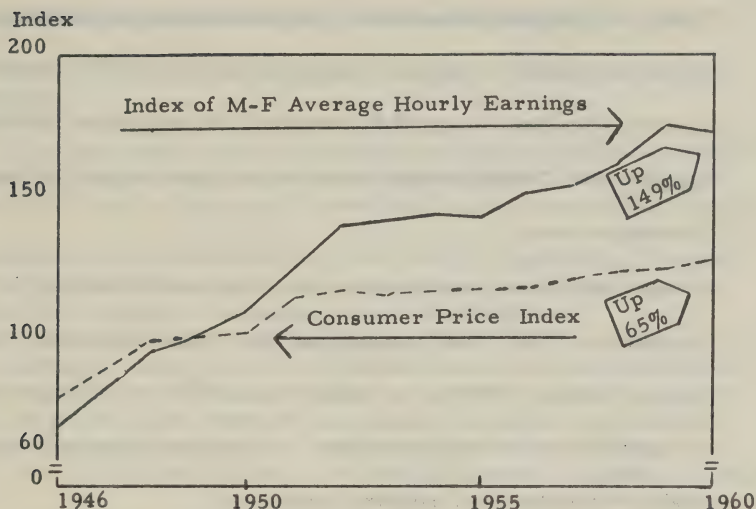
- (b) In the post war period (since 1945) the Company has negotiated wage increases, excluding cost of living adjustments not incorporated in base rates, as follows:

(1) When the term "average hourly earnings" is used it will be given the same meaning as used by the Dominion Bureau of Statistics, namely: "Gross wages before deductions for taxes, unemployment insurance contributions, etc. They include payments for overtime work, incentive or production and cost of living bonuses paid at regular intervals."

	<u>Cents per Hour</u>
1946	10
(hours reduced from 48 to 45 per week)	
1947	13
1948	8
1949	8.5
(hours reduced from 45 to 40 per week)	
1950	6
1951	7.5
1952	3
1953	5
1954	3
1955	5
1956	3.0
1957	3.0
1958	9.4
1959	7.2
1960	7.2

- (c) Average hourly earnings in Massey-Ferguson increased by \$1.33 from 1946 to 1959. This is a greater dollar increase than increases granted in industry generally (Exhibit 'A'). On a percentage basis, average hourly earnings increased by 153% over those prevailing in 1946. In all manufacturing the percentage increase of 1959 over 1946 was 142% and in the agricultural implements industry it was 149%.
- (d) Wages at Massey-Ferguson have increased at a substantially faster rate than increases in cost of living. As a result, M-F employees have seen their purchasing power increase significantly over the past 15 years. The improvement in 'real' hourly wages (purchasing power) of M-F employees since 1946 has amounted to almost 51% (Exhibit 'B').

Comparison of Indexes of M-F Average
Hourly Earnings and Cost of Living -
1949 = 100



Benefits

In addition to wages, Massey-Ferguson employees have received sizeable compensation from the Company through benefit programs.

- (a) The fringe benefits at M-F are generous in comparison with arrangements prevailing in outside industry. The cost of fringe benefits in January 1961 at M-F amounted to almost 28% of the annual payroll or an average of \$1275 per employee. The average total outlay for fringe benefits in 100 major manufacturing and non-manufacturing Canadian companies amounted to 22.2% of annual payroll per employee, or an average of \$1036 per employee. ⁽¹⁾

(1) Fringe Benefit Costs in Canada - 1959
Industrial Relations Counselors Service, Inc.

Average outlays for fringe benefits by industry ranges from 16.5% of payroll in Textile Mill Products to 26.6% in Food, Beverages and Tobacco. The percentage cost in all manufacturing companies surveyed was 22.8%. Iron and Steel products was 20.2% (Exhibit 'C').

- (b) Massey-Ferguson is one of the minority of companies providing Supplemental Unemployment Benefits at a cost to the Company of 5 cents per hour.
- (c) A non-contributory pension plan was first established by the Company in 1919. The Company and the Union negotiated a new pension plan in 1959 that is wholly financed by the Company with no contributions by the employees. It provides benefits that are as good as or better than industry generally.
- (d) The group welfare plan provided by Massey-Ferguson compares favourably with plans in other major companies and it is paid for entirely by the Company. Few companies in Canadian industry pay the total cost of a group welfare plan.

The I.R.C.S. survey lists only 6 out of the 100 companies surveyed that had a non-contributory plan. Of the 73 manufacturing companies surveyed, only 3 companies paid for the total cost of the welfare plan (Exhibit 'D').

The plan provides \$3,000 group life insurance, \$35.00 weekly indemnity for 26 weeks, and payment by the Company of Physicians' Services Incorporated, and Ontario Hospital premiums.

- (e) The present Collective Agreement provides for an escalation provision in which quarterly cost of living adjustments are made according to movements in the Consumer Price Index.

Wage Patterns

There are many criteria that affect the determination of wages such as the trend of wage movements; prevailing wages; cost of living trends; inter-company fringe differentials; labour market conditions; financial position of the Company; characteristics of the industry.

In addition, there are other external pressures, not the least of which is the power of the Union to shut down a company's operations.

Virtually, the whole automotive and agricultural equipment industry is organized by the UAW in Canada and the United States. The four largest UAW locals in Canada include three major automobile companies and Massey-Ferguson. In the United States, all major automotive companies and agricultural-equipment companies are organized by the UAW.*

This being so, whether we like it or not, M-F as well as the entire agricultural-equipment industry, is affected by wage and benefit patterns negotiated by the UAW in other industries in Canada and the United States.

Wage Differential - Canada and the United States

Historically, wages and earnings in the United States have been higher than those for similar industries in Canada. Exhibit 'E' shows the existing relationship between average hourly earnings of Canadian employees and United States employees in the same industries. In all manufacturing, U.S.

employees earned 29% more than Canadian manufacturing employees. In the durable goods industry, the differential is 27%. The same differential exists in agricultural equipment. Canadian employees in this industry were in about the same relative position as corresponding employees in the United States. In 1959, Canadian farm equipment employees were paid 17 per cent more than employees in all manufacturing industries, while in the United States the corresponding difference was 16 per cent.

We have already shown that M-F employee earnings significantly exceed those of the Canadian farm equipment industry and other industries with which comparisons are relevant. On the other hand, as shown in Exhibit 'E', 1959 average hourly earnings in U.S. agricultural equipment industry were 27% higher than in the Canadian industry.

Wages and Materials

Labour and material are the main factors influencing production costs. Exhibit 'F' shows that, since 1949, M-F average hourly earnings have increased more than the wholesale prices of steel and iron. The price of rolling-mill products has increased by 56% since 1949, while the price of iron has increased by 46%. This compares with the 73% increase in average hourly earnings over the same period.

Therefore, it can reasonably be said that the magnitude of the increase of the price paid for labour by the Company over this 10 year period is much greater than the magnitude of the increase in the price paid for material.

Wages and Farmers' Income

Exhibits 'G' and 'H' show a comparison of farm income per unpaid family worker with average hourly earnings of M-F employees.

The most dramatic illustration is shown graphically in Exhibit 'H'. It is evident that not only have wages of M-F employees increased more than the farmers' income during the post war years, but they have increased at a much steadier rate. Farmers' income has fluctuated significantly during this period from its present level of 58% over 1949, to the 1957 low of 8% over 1949, to the 1952 high of 62% over 1949. This compares with the steady, but significant upward trend in wage increases granted M-F employees to the 1960 level of 73% over 1949.

EXHIBIT 'A'

Increase in Average Hourly Earnings
Massey-Ferguson, Toronto and Canadian Industries
1946 to 1959

	<u>1946</u>	<u>1959</u>	<u>Increase</u>	
			<u>Amount</u>	<u>Per Cent</u>
	\$	\$	\$	%
Massey-Ferguson	0.87	2.20	1.33	153
All Manufacturing	0.71	1.72	1.01	142
Durable Goods	0.77	1.87	1.10	143
Iron & Steel Products	0.76	2.01	1.25	164
Transportation Equipment	0.88	1.99	1.11	126
Agricultural Implements	0.81	2.02	1.21	149

Source: M-F Accounting Records

DBS Review of Man Hours and Hourly Earnings, 1945-59.

EXHIBIT 'B'

Index in 'Real' Average Hourly Earnings
Massey-Ferguson - 1946-1960
1949 = 100

	Average Hourly Earnings	Index of Av. Hourly Earnings (1949 = 100)	Consumer Price Index (1949 = 100)	Index of 'Real' Average Hourly Earnings (1949 = 100)
	\$			
1946	0.87	69.6	77.5	89.8
1947	1.00	80.0	84.8	94.3
1948	1.19	95.2	97.0	98.1
1949	1.25	100.0	100.0	100.0
1950	1.37	109.6	102.9	106.5
1951	1.56	124.8	113.7	109.8
1952	1.74	139.2	116.5	119.5
1953	1.77	141.6	115.5	122.6
1954	1.80	144.0	116.2	123.9
1955	1.79	143.2	116.4	123.0
1956	1.89	151.2	118.1	128.0
1957	1.94	155.2	121.9	127.3
1958	2.03	162.4	125.1	129.8
1959	2.20	176.0	126.5	139.1
1960	2.17	173.6	128.0	135.6

Source: M-F Accounting Records.

DBS Prices and Price Indexes - December 1960.

EXHIBIT 'C'

Total Cost of Fringe Benefits in 100 Companies, by Industry Groups, 1959

Industry Group	Companies	Employees	Total Cost of Fringe Benefits	
			as Per Cent of Payroll	In Dollars per Empl.
All companies	100	490,967	22.2%	\$1,036
Manufacturing	73	189,233	22.8	1,077
Food, beverages & tobacco	10	10,343	26.6	1,239
Textile mill products	6	4,599	16.5	578
Paper and allied products	9	14,299	17.6	831
Chemical products	10	19,818	23.0	1,029
Petroleum products	9	29,634	24.9	1,425
Iron & steel, metal products and machinery	20	90,655	20.2	927
Miscellaneous	9	19,885	22.1	1,097
Non-Manufacturing	27	301,734	20.5	897
Public utilities	8	68,361	23.6	1,077
Transportation	5	197,168	18.0	840
Trade	5	26,008	17.2	583
Finance and insurance	6	4,535	20.6	817
Miscellaneous	3	5,662	17.4	656

Source: Fringe Benefit Costs in Canada
Industrial Relations Counselors Service, Inc.

EXHIBIT 'D'

Basis of Support of Benefit Plans in 100 Companies
by Industry Group, 1959

Industry Group	Pension Plans			Welfare Plans ^a		
	Contri- butory Basis ^b	Non-Con- tributory Basis	Total	Contri- butory Basis ^b	Non-Con- tributory Basis	Total
All companies	86	13	99	94	6	100
Manufacturing	63	9	72	70	3	73
Food, beverages & tobacco	9	1	10	10	-	10
Textile mill products	6	-	6	4	2	6
Paper & allied products	7	2	9	9	-	9
Chemical products	7	3	10	10	-	10
Petroleum products	9	-	9	9	-	9
Iron and steel, metal products & machinery	18 ^c	1	19	19	1	20
Miscellaneous	7	2	9	9	-	9
Non-Manufacturing	23	4	27	24	3	27
Public utilities	7	1	8	8	-	8
Transportation	5	-	5	5	-	5
Trade	3	2	5	4	1	5
Finance & insurance	5	1	6	5	1	6
Miscellaneous	3	-	3	2	1	3

- (a) Includes group life insurance, hospital/surgical/medical benefits, major medical and catastrophe insurance, non-occupational sickness or accident benefits and occupational injury benefits above legal requirements.
- (b) Contributory pension and welfare plans include instances in which salaried employees are covered by a contributory plan and hourly employees (or employees under a union agreement) by a non-contributory plan. Furthermore, in the case of welfare plans some portion of an overall contributory plan may be totally financed by the company concerned. It should also be noted that in several instances contributory sick pay carries a non-contributory supplement. In some cases, this additional benefit is limited to salaried employees.
- (c) One company in this group has no pension plan.

Source: Fringe Benefit Costs in Canada.

Industrial Relations Counsellors Service, Inc.

EXHIBIT 'E'

Comparison of Average Hourly Earnings of
Manufacturing Industries - Canada and U.S. - 1959

	<u>Average Hourly Earnings</u>		<u>Per Cent Excess of U.S. Over Canada</u>
	<u>Canada</u>	<u>U.S.</u>	<u>%</u>
All Manufacturing	\$1.72	\$2.22	29
Durable Goods	1.87	2.38	27
Iron & Steel Products (Cda) Machinery, excl. Electrical) (U.S.))	2.01	2.50	24
Transportation Equipment	1.99	2.66	34
Agricultural Implements (incl. tractors in U.S.)	2.02	2.57	27

Sources: DBS Review of Man Hours and Hourly Earnings 1945-1959
 United States Dept. of Labor, Monthly Labour Review, Dec.1960
 Table C-1.

EXHIBIT 'F'

**Index of Massey-Ferguson Average Hourly Earnings
and Wholesale Prices - (1949 = 100)**

Year	M-F Average Hourly Earnings		Rolling Mill Products Wholesale Price Index		Iron and Its Products Wholesale Price Index	
	Actual	Index 1949 = 100	1935-39 = 100	1949 = 100	1935-39 = 100	1949 = 100
1947	1.00	80.0	132.7	82.7	140.7	80.2
1948	1.19	95.2	149.6	93.2	161.4	92.0
1949	1.25	100.0	160.5	100.0	175.5	100.0
1950	1.37	109.6	170.6	106.3	183.6	104.6
1951	1.56	124.8	192.3	119.8	208.7	118.9
1952	1.74	139.2	203.9	127.0	219.0	124.8
1953	1.77	141.6	209.4	130.5	221.4	126.2
1954	1.80	144.0	206.0	128.3	213.4	121.6
1955	1.79	143.2	209.1	130.3	221.4	126.2
1956	1.89	151.2	222.4	138.6	239.8	136.6
1957	1.94	155.2	241.3	150.3	252.7	144.0
1958	2.03	162.4	246.6	153.6	252.6	143.9
1959	2.20	176.0	249.2	155.3	255.7	145.7
1960	2.17	173.6	250.7	156.2	255.8	145.8

Source: M-F Accounting Records

DBS. Canadian Statistical Review Supplement, 1959

DBS. Canadian Statistical Review, February 1961

EXHIBIT 'G'

Index of Massey-Ferguson Average Hourly Earnings
and Index of Net Farm Income per Unpaid Family Worker
in Agriculture (1949 = 100)

<u>Year</u>	<u>Index of Massey-Ferguson Average Hourly Earnings</u>	<u>Index of Net Farm Income Per Unpaid Family Worker in Agriculture</u>
1947	80.0	74.4
1948	95.2	106.5
1949	100.0	100.0
1950	109.6	88.7
1951	124.8	152.3
1952	139.2	162.3
1953	141.6	145.4
1954	144.0	89.3
1955	143.2	119.3
1956	151.2	142.6
1957	155.2	108.1
1958	162.4	145.1
1959	176.0	136.5
1960	173.6	158.4

Source: -M-F Accounting Records.

-Canadian Statistical Review Supplement, 1959.

-Canadian Statistical Review, Feb. 1961, Table 8.

-DBS Handbook of Agricultural Statistics, part 2, Farm Record,
1926-1957.

-Economics Division Canada Dept. of Agriculture, Current Review
of Agricultural Conditions in Canada, Nov. 1960.

EXHIBIT 'H'

INDEX OF MASSEY-FERGUSON AVERAGE HOURLY EARNINGS
AND INDEX OF NET FARM INCOME PER UNPAID FAMILY WORKER IN AGRICULTURE

(1949 = 100)

INDEX



Appendix "F"

TRANSPORTATION

We share Canadian farmers' concern about the several freight rate increases over the post-war years. Because of its severe joint impact on farmers, and on our Company, we present the transportation situation in the following statement in more detail than we have used in other supporting sections of this brief. We do this also because transportation costs are set by governments - largely by the federal Government. We appeal for the sympathetic interest and assistance of Committee members in containing further increases in freight rates.

The following information is presented to show the effect of freight rates on the price of agricultural implements, and to show the many varying ways in which Massey-Ferguson policies on transportation lead to the use of the most efficient means of transport.

To present a comprehensive statement on this situation, it is necessary to provide a brief history. The Committee is likely aware of the following historical facts:

1. Rail freight rates were generally stable during the war years, as they were frozen by government decree.
2. The first major Canadian post-war increase took place April 8, 1948, amounting to 21%, following which there have been several additional increases which are set out in chart form in Exhibit 3.
3. Freight rates within the United States and on international traffic were increased starting in 1946, and these increases were on a higher basis than Canada until 1952, when the scales of U.S. rates were exceeded by Canadian rates.

4. Insofar as the freight rates applied specifically to agricultural implements and tractors were concerned, the following describes the situation in broad outline:

- (a) Specific, or point-to-point commodity rates were in effect from manufacturing points in Eastern Canada to key cities and branch locations in Western Canada and in other regions.
- (b) These commodity rates were maintained on a lower scale than the regular "class" rates.

(bb) On April 8, 1948, there was an increase of 21%. Massey-Ferguson Limited was not in accord with the new basis as this resulted in a double increase (a) by the change from commodity to "class" rates, and (b) the 21% increase. Steps were taken through the Canadian Manufacturers Association to alleviate the impact of these increases. We were successful in that the 6th class basis which became effective December 27, 1948, was suspended. This order became effective on January 11, 1949.

- (c) The specific commodity rates were maintained in effect until July 24, 1950. At that time, the railways decided to eliminate the specific commodity rates to individual destinations and rates were published based on the 6th class rate, the railways having proved to the Board of Transport Commissioners that the commodity rates were not compensatory. Thus it was not necessary to have new rates published to individual destinations.

- (d) The change from specific commodity rates to the 6th class rate had the effect of increasing rates as shown in the column under June 16, 1950 (lower figures in Exhibit 7).
- (e) This was followed by a 4% increase on July 26, 1951, and an additional increase on February 11, 1952. The combines increase not to exceed 17%.
- (f) May 1, 1952, the Government, in order to assist the railways and spread the burden of operating in the high-cost, low-volume area between Sudbury and Fort William, provided a subsidy to the railways which was passed back to the shippers in what is known as the "Bridge" subsidy. This is shown in Exhibit 7.
- (g) The incorporation of the Bridge subsidy into the general rate scale caused rates to fluctuate as the subsidy was increased or lowered, depending on whether or not the entire amount of the fixed total subsidy was being utilized.
- (h) This was followed by an increase of 9% on January 1, 1953, and an increase of 7% on March 16, 1953.
- (i) The next major change was in 1955 when, on the basis of the Turgeon Royal Commission study, equalization was effected in the Canadian rate structure. Broadly speaking, this had the effect of raising rates in Eastern Canada by 5%, and lowering rates in Western Canada by 10%. This flattening out of the various scales was necessary to obtain equalization.

- (j) The new scale had the effect of changing rates from a minus 0.7% decrease in the case of Toronto, Brantford, etc., to Vancouver, to an increase of 13.7% in the case of Winnipeg (illustrated in Exhibit 7A). Percentages were not uniform as the Prairie and the mountain scales of rates originally in effect were on a different level.
- (k) At the time of the 1955 Equalization, because the rates within the West were lowered by approximately 10%, it also meant that there was a reduction in the rates from the international border points to Western Canadian destinations, thus giving an additional advantage to American-based plants. Decreases were up to 31%. We have no explanation for the larger decreases.
- (l) When Equalization came into effect in 1955, it wiped out the old numerical class rates and established rates which were based on a percentage of Class 100. In the Canadian Freight Classification some agricultural implements were accorded Class 40, and others were accorded Class 45. After conferences with the railways, an "Exception" was provided on agricultural implements between Eastern Canada, and from Eastern Canada to Western Canada, providing Class 40 or 40% of Class 100. This was comparable to the old 6th Class Rates.
- (m) The next major increase was on December 1, 1958, amounting to 17%. At that time, a letter was sent to the Honourable

A.J. Brooks and to the other members of his Rates Enquiry Committee, outlining the effect of this increase insofar as our industry was concerned. This will be considered later in this report.

- (n) The present scale will remain in effect until the government acts on the basis of the MacPherson Royal Commission report. The railways are faced with a strike threat because of wage demands, and whether or not the railways will be allowed to increase their rates is unknown. The railways already have a petition for an increase to the Board of Transport Commissioners, and it is generally agreed that it could amount to 20%. May we submit that any increase whatsoever would gravely worsen the position of Canadian farm machinery manufacturers who are already in a very clearly disadvantageous position in serving the great bulk of the United States market, and much of the Canadian market.

With respect of Item (m) above, following the submission, Company representatives were granted an interview with the Honorable A.J. Brooks early in January, 1959.

We were one of three firms granted an interview by the Honorable Mr. Brooks. In addition to the facts presented in the letter, which is Exhibit 8, we also pointed out to him various assisting methods which had been provided by the government, such as:

- (a) Subventions on coal from the Maritimes.
- (b) Subventions on coal from Western Canada.
- (c) Assistance to the Maritimes through the Maritimes Freight Rate Act.
- (d) Assistance to the railways and shippers through the Bridge Subsidy.
- (e) Possibility of further assistance by the government to the Maritimes on coal into Ontario against U.S. coal.

At that time, we were seeking assistance in penetrating the U.S. market as well as trying to alleviate the increases within Canada. The grave difficulties faced by Canadian based farm machinery companies in the high density portions of the U.S. market are considered later.

We consider the conditions which existed in 1959 still prevail.

We are of the opinion that our representations helped to shape the Government's decision to provide the subsidy, effective August 1, 1959, which reduced the proposed increase of 17% to 10% and later to 8%.

Subsequent to this, we had an interview with the Vice-President, Canadian National Railways, and the Vice-President, Canadian Pacific Railway Company. In this interview we enlarged on the information which had been provided to the Honorable A.J. Brooks and advised them that the position of a very large Canadian exporting industry was being imperilled by rising freight rates.

We made reference to the Woods-Gordon Report on the Canadian Agricultural Machinery Industry prepared for the Royal Commission on Canada's Economic Prospects. We cited that this Report states that the

agricultural machinery industry in Canada has operated under rates since 1919, which gives us an advantage in the Western provinces of Canada, all of the Eastern Canada and that portion of Eastern United States following a line from Lake Michigan south to a point slightly west of Cincinnati, Ohio, thence eastward along the Ohio River through West Virginia and Virginia to Norfolk.

Since the date of the Woods-Gordon Report we find that we have an advantage in Eastern Canada and a portion of the Eastern United States, although that line has moved east from the original points which Woods-Gordon showed in their Report. We are now at a disadvantage throughout Western Canada as compared to manufacturers located in the heart of the U.S. agricultural machinery manufacturing territory located in the Moline, Illinois - Davenport, Iowa area. The firms located in this area have a freight advantage in all of Western Canada and eastward from the Manitoba boundary as far east as Atikokan, Ontario. Rates for representative points are shown in Exhibit 1.

It will be noted that Exhibit 1 shows the rates from Moline, Illinois to Canadian destinations, and below are shown the rates from Toronto as a comparison. The Table shows the rates which were in effect from July 28, 1951 up to and including the latest increase. The differences in the rates between Canadian and U.S. manufacturing points are included to indicate the disadvantage or advantage in which our Company is now placed.

We also provide:

Exhibit 2. This is similar to Exhibit 1 in that it shows the rates from

Moline, Illinois and Toronto to specified points in Western Canada. This Table also shows the border basing points over which the combination rates are made.

Exhibit 3. This chart provides comparison of the Canadian versus United States rail freight rate increases by cumulative percentage and the years in which the increases were applied from 1946 up to and including the latest increases and decreases in the two countries.

Exhibit 4. Comparison of rates from Toronto versus Moline to key points in the United States which outline the boundaries of the present 15% of the North American market area where Canadian-based industry has an advantage. There are through commodity rates in effect from Ontario to points in what is termed "Central Freight Territory". This comprises the territory where we have an advantage. The Woods-Gordon study indicated (at variance with our analysis) that at the time of their study the proportion of the territory where Canada had an advantage was 26%.

Exhibit 5. Comparison of transportation unit cost for an average size combine from Toronto versus Moline to Western Canada, indicating advantage or disadvantage to Canadian industry.

Exhibit 6. Map showing approximate division of Canadian and U.S. market for agricultural machinery - 15% favourable to Canadian industry - 85% favourable to U.S. industry. This compares with 26% favourable to Canadian-based industry and 74% to the U.S. based industry as shown in the Woods-Gordon Report.

Exhibits 7 and 7A. These Tables show the rates from Toronto to Western Canadian points, including the various increases before and after

equalization of rates in 1955, and subsidy reductions.

A survey made in 1958 shows the Massey-Ferguson share of the "Harvesters and Threshers Combined" (which will be referred to as "self-propelled combines") market to be a declining percentage of that market since 1951. The Massey-Ferguson share of the U.S. combine market has shown a declining percentage since 1951 up until 1958.

During the years 1955, 1956 and 1957, an average of 76% of the company's production was sold outside of Canada, and over 79% during 1958. This includes the overseas market. However, over 63% of Massey-Ferguson Canadian production is sold in the United States. These figures reveal the critical importance of the bearing of freight rates on the accessibility of the American market for our products.

In summing up our position, we feel that we require:

- (a) Rate adjustments to overcome our competitive disadvantage in Western Canada.
- (b) Reduction in rates into the United States in order to retain and improve our present sales position, which in turn would increase the revenue of Canadian railways.

Canadian Traffic

As the size of our harvesters, threshers and haybalers grew, it was not possible to have them loaded on railway flatcars and obtain the minimum weight of 24,000 pounds as provided in railway tariffs. Consequently, we were faced with paying freight on "dead weight".

On October 30, 1952, at our instigation, the railways lowered the minimum weight to 18,000 pounds on open top cars not exceeding 41' 8",

and 20,000 pounds on open top cars exceeding 41' 8". This then allowed us to load two of the large combines on a flatcar and attain the minimum weight of 18,000 pounds, or three on a large car and attain the minimum of 20,000 pounds. No difficulty was encountered in loading plows, mowers, harrows, etc., in 40 ft. box cars to a minimum of 24,000 pounds.

Inbound Traffic

There are two aspects to this question, one being the movement of inter-plant raw products and components; and the other of raw inbound products and finished components from outside vendors.

With respect to inter-plant rates, the history is incomplete. We have always maintained contract truck rates which were considerably below the "going" rate of common carriers. The "normal" truck rates have very closely followed the pattern of the railways, falling slightly behind in announcing dates of increases, and at the present time there is very little difference between the two scales.

Contract truckers have been used since 1920 on Brantford-Toronto moves, and since 1941, on Woodstock-Brantford-Toronto.

The last increase in our contract rates on components and unfinished parts between Canadian factories occurred in 1957, and amounted to approximately ten per cent. Some of these rates run approximately sixty per cent of the common carrier truck rates.

Prior to this increase, we understand there had not been any upward adjustment since 1952.

With respect to inbound traffic to factories from outside suppliers, there have been many negotiations for lower rates. Various specific

commodity rates have been negotiated and established on regular volume moves, and downward adjustments are continually being made as special situations arise.

Inbound rates on steel, castings, etc., purchased within Canada and moved by truck have borne increases in freight rates but not to the same degree as the finished products. We have exercised every power to keep rates down.

Inbound finished components from U.S. suppliers have had to absorb the increases accorded international rates.

Inbound Traffic - Imports

In 1958, we commenced using direct U.K. - Toronto vessel service on tractors to reduce transportation costs. These imports naturally have been at the expense of Detroit production. This service has also been used, when manufacturing schedules permitted, on components from the U.K. to Detroit.

U.S.A. Traffic

Effective May 25, 1953, the minimum weight on harvesters - threshers, hay presses, windrow pickups and traction engines from producing points in Canada to destinations in what is known as Central Territory, i.e., Illinois, Indiana, Ohio and Michigan, was reduced from 24,000 pounds to 20,000 pounds per car. An adjustment also provided for proportional rates to Keokuk, Iowa; West Keithsburg, Iowa; Mackinaw City and Manistique, Michigan, etc. At the same time, lower rates as part of the through rates were established to Detroit, Michigan to be applicable on traffic destined beyond, in the States of Colorado, Iowa,

Kansas, Michigan (Upper Peninsula), Minnesota, Nebraska, North Dakota, South Dakota. These proportional rates resulted in an overall reduction in freight rates to these areas.

The volume of sales in the United States significantly affects our costs and any expansion of sales in the United States would bring benefits of scale economies equally to Canada and the United States.

Auditing

From 1939 to 1957, freight accounts were audited by an outside auditing firm, and refunds divided on a percentage basis. Now these freight accounts are audited first internally, before being sent out for a second check.

This audit reveals the most economical rates and routes so as to place the machine in dealers' hands at the lowest transportation cost.

Freight Charges

These are prepaid from factories to branches and dealers, and included in the invoice price. In this manner, the General Traffic Department can protect the dealer against railway errors through overcharges and develop lower combination rates.

Transit

Storage-in-transit arrangements have been negotiated with the railways at branch points and this allows the product to move out from branch to dealer as a continuous movement from factory, thus avoiding a combination rate involving two hauls.

Claims

By prepaying freight, Massey-Ferguson is responsible for recovery of loss and damage claims as well as overcharge claims, thus providing the dealer with the benefit of our knowledge and experience, and alleviating him of responsibility. This, in turn, reduces his freight cost and expenditure of time.

Diversions

Diversion of cars in transit after leaving the factory is practiced to make direct dealer shipment so as to provide the fastest possible service in meeting current sales, rather than making a new shipment from the factory. This eliminates branch handling charges which would otherwise have to be added to dealer expense.

Leased Equipment

We recently entered into a leasing arrangement from Detroit which is producing a service on some Canadian inbound traffic below the cost of common carriers. This will be expanded to other areas as experience indicates that economies can be secured.

Loading

Loading methods are constantly being reviewed to reduce costs and to increase weight to take advantage of lower rates applicable to higher minima loadings.

Ocean Rates

Rates have been negotiated with Ocean Steamship Conferences to

maintain import rates on components at the lowest possible level.

Freight Rates

Rates are constantly being scrutinized, and where indicated, proposals are submitted for reduced rates. We also work in conjunction with the Farm Equipment Institute on rate problems of interest to the entire industry.

GENERAL COMMENTSRate Increases

With respect to the MacPherson Commission Report referred to earlier, if the railways are allowed an increase of 20% it will mean the freight cost on a #72 Combine to Saskatoon would be increased by approximately 12%, or an additional \$25.50 per unit. This would greatly disadvantage us in comparison with our U.S. competitors shipping to the Prairies from the North Central States.

Distribution

Distribution at the branch level is costly to the Company and Dealer. We endeavour to make direct factory to dealer carload or truckload shipments. Where this is not possible, here are four other ways in which distribution is handled:

- (a) Goods are shipped into the branches and reshipped out on dealer's orders. If carload quantity is ordered, this can be on a storage-in-transit arrangement from the branch.
- (b) Dealers come into a branch and pick up individual machines from our warehouse.
- (c) Goods are forwarded via common carrier, truck or rail at less carload rates collect.
- (d) Leased Trucks by Branches - Some branches have entered into independent agreements to augment common carrier service to dealers. Dealers are charged something below

the common carrier rate, based on the branch estimate cost of operation.

Our choice of the most economic transportation method and our good advice to dealers on this matter reflects our determination to secure every possible economy in distribution and to speed up deliveries from factory to farmer.

To reduce distribution costs, stress is now placed on having the dealer take full carloads, or a stop-off car between two or more dealers, thus eliminating branch handling charges and effecting a saving in freight from branch to dealer.

Agreed Charges

In 1956 the question of Agreed Charges was broached to the railways on our particular traffic. The railways would not agree to publishing any Agreed Charges as most of our freight did not lend itself to truck handling.

Before the rail carriers will assent to an Agreed Charge the shipper must prove that some form of competition exists: i.e., truck, water, or private carriage.

Our traffic is presently moving under rail commodity rates. The carriers, therefore, would not negotiate any Agreed Charge as they could not foresee any increase in tonnage as a result.

The lack of competition with railways in many farm machinery transport operations may be due to the fact that contract truckers, as well as common carriers, have not shown any particular aggressiveness

in developing special equipment for hauling our products, which admittedly are generally cumbersome and hard to handle. It is also difficult to meet minimum load and earning requirements of the carrier.

Trucks hauling combines and set-up haybalers because of their unusual dimensions require special permits to operate on provincial highways. In addition, our facilities were originally set up for rail carload shipments, and the present facilities, especially at Toronto, render proper handling via truck difficult. However, we are continually working on this problem.

We are, however, aware that to provide more expeditious service at seasonal peaks, trucks are often more advantageous especially for transporting of smaller machines, and we take every advantage of such situations.

Plant Location

Surveys have been made of possible plant re-location so as to place us in the best competitive position and also reduce laid-down price to Canadian dealers and farmers. Needless to say, we very much hope that transportation costs or other factors will not require us to re-locate any of our Canadian production facilities.

Final Remarks

The General Traffic Department has many aspects of transportation to keep under surveillance. We must continually review changes proposed before the several bodies controlling the trucking industry in the United States, the various railway rate bureaus operating under the Interstate

Commerce Commission, the Canadian railways under the Board of Transport Commissioners, and the provincial truck transportation boards.

Whenever possible we appeal against proposed increases and look to other means of transportation to offset actual increases in rates.

To illustrate the importance of freight charges paid by Massey-Ferguson North American Operations we show freight charges paid by factories and branches and the relationship to net sales over a recent four year period.

YEAR	TOTAL FREIGHT CHARGES	TOTAL NET SALES	FREIGHT PERCENTAGE OF NET SALES
1956	\$ 8,225,000.	142,950,000.	5.75%
1957	7,192,000.	130,974,000.	5.49%
1958	10,627,787.	170,621,000.	6.23%
1959	12,747,379.	217,651,000.	5.86%

The foregoing information is presented to explain the policy of Massey-Ferguson, which in transportation and distribution methods as in production is motivated by the determination to minimize costs at every stage in delivering farm machinery to our customers.

Exhibit 1

COMPARISON - TABLE

SHOWING RAIL RATES ENJOYED BY COMPETITORS IN MOLINE, ILL., AS COMPARED WITH RAIL RATES FROM TORONTO, ONT.

RATES IN EFFECT ON THE FOLLOWING DATES

TO	FROM	JULY 28 1951	JUNE 1 1952	MAY 1 1953	MAR. 7 1956	JULY 3 1956	AUG. 26 1957	DEC. 1 1958	MAY 15 1959	FEBRUARY 10/60				OCT. 24/60			
										20M	24M	30M	40M	20M	24M	30M	40M
Winnipeg	Moline Toronto	1.92	1.83	1.83	1.90	1.93	2.12	2.19	2.18	1.96	1.87	1.77	1.59	1.96	1.87	1.77	1.59
		1.64	1.61	1.83	2.08	2.06	2.14	2.33	2.30	2.26	2.26	2.26	2.26	2.21	2.21	2.21	2.21
		- 28	- 22	-	+18	+13	+02	+14	+12	+30	+39	+49	+67	+25	+34	+44	+62
Saskatoon	Moline Toronto	2.67	2.50	2.50	2.51	2.56	2.81	2.81	2.61	2.55	2.55	2.46	2.24	2.54	2.54	2.45	2.23
		2.42	2.44	2.75	2.76	2.75	2.88	3.38	3.35	3.06	3.06	3.06	3.06	2.99	2.99	2.99	2.99
		.25	- .06	+ .25	+ .24	+ .19	+ .07	+ .57	+ .74	+ .51	+ .51	+ .60	+ .82	+ .45	+ .45	+ .54	+ .76
Edmonton	Moline Toronto	3.21	3.06	3.06	2.98	3.07	3.33	3.41	3.21	3.12	3.12	3.03	2.81	3.10	3.10	3.01	2.79
		2.91	2.91	3.32	3.25	3.26	3.42	4.02	3.99	3.64	3.64	3.64	3.64	3.58	3.58	3.58	3.58
		- 30	- 15	+ 26	+ 27	+ 19	+ 09	+ 61	+ 78	+ 52	+ 52	+ 61	+ 83	+ 48	+ 48	+ 57	+ 79

NOTE: Rates shown in cents per 100 pounds.

GENERAL TRAFFIC DEPARTMENT
FEBRUARY 17, 1961

SHOWING RAIL RATES ENJOYED BY COMPETITORS IN MOLINE, ILL. AS COMPARED WITH RAIL RATES FROM TORONTO, ONT.

COMPARISON - TABLE

	JULY 28 1951	JUNE 1 1952	MAR. 7 1956	JULY 3 1956	AUG. 26 1957	DEC. 1 1958	MAY 15 1959	FEBRUARY 10/60 INCENTIVE MINIMA				OCTOBER 14, 1960 INCENTIVE MINIMA				Beyond rate changed x	
								20M	24 M	30M	40M	20M	24M	30M	40M	(1) AUG. 1 1959	(2) MAY 6 1960
From Moline, Ill. To Winnipeg	1.54 38 1.92	1.43 40 1.83	1.52 38 1.90	1.52 41 1.93	1.70 42 2.12	1.70 49 2.19	1.69 49 2.18	1.50 46 1.96	1.41 46 1.87	1.31 46 1.77	1.13 46 1.59	1.51 45 1.96	1.42 45 1.87	1.32 45 1.77	1.14 45 1.59	.46	.45
From Toronto	1.64	1.61	2.08	2.06	2.14	2.33	2.30	2.26	2.26	2.26	2.26	2.21	2.21	2.21	2.21		
From Moline, Ill. To Saskatoon	1.84	1.63	1.73	1.73	1.94	*1.80	*1.60	*1.60	*1.60	1.51	1.29	1.61	1.61	1.52	1.30	.95	.93
To Northgate	.83	.87	.78	.83	.87	1.01	1.01	x.95	x.95	x.95	x.95	x.93	x.93	x.93	x.93		
Beyond	2.67	2.50	2.51	2.56	2.81	2.81	2.61	2.55	2.55	2.46	2.24	2.54	2.54	2.45	2.23		
Thru	2.42	2.44	2.76	2.75	2.88	3.38	3.35	3.06	3.06	3.06	3.06	2.99	2.99	2.99	2.99		
From Toronto																	
From Moline, Ill. To Edmonton	1.84	1.63	1.73	1.73	1.94	*1.80	x1.60	*1.60	*1.60	1.51	1.29	1.61	1.61	1.52	1.30		
To Northgate	1.37	1.43	1.25	1.34	1.39	1.61	1.61	x1.52	x1.52	x1.52	x1.52	x1.49	x1.49	x1.49	x1.49	1.52	1.49
Beyond	3.21	3.06	2.98	3.07	3.33	3.41	3.21	3.12	3.12	3.03	2.81	3.10	3.10	3.01	2.79		
Thru	2.91	2.91	3.25	3.26	3.42	4.02	3.99	3.64	3.64	3.64	3.64	3.58	3.58	3.58	3.58		
From Toronto																	

x Effective dates in Canadian Rates beyond International Boundary shown in columns 1 and 2.

* Snowden Combination - Rate to Snowden reduced Aug. 1958. Northgate & Portal intermediate application permitted.

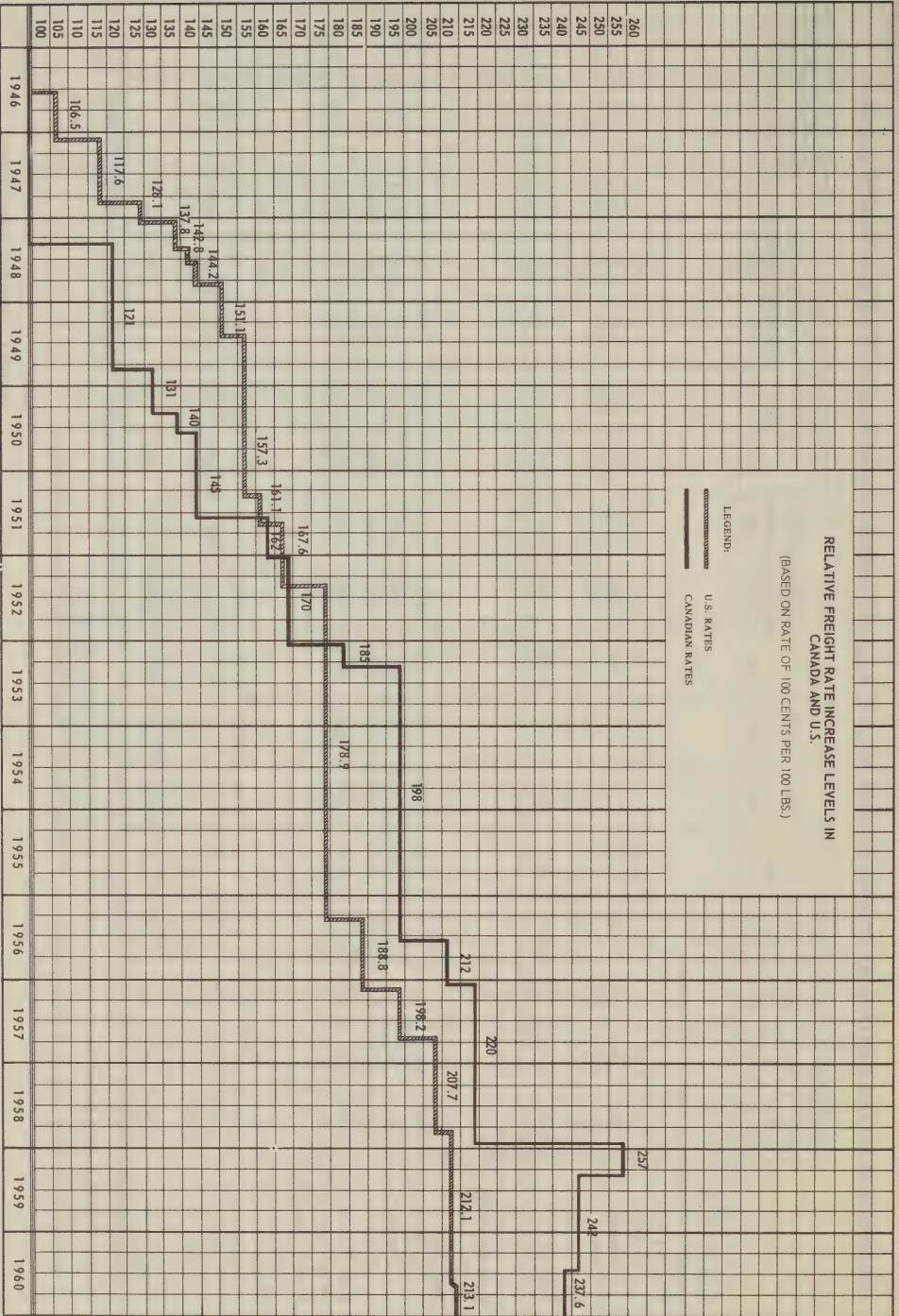


Exhibit 4

AGRICULTURAL IMPLEMENT C. L.

<u>TO</u>	<u>FROM MOLINE, ILL.</u>	<u>FROM TORONTO, ONT.</u>
Canton, Ohio	1.26	.93 (1)
Columbus, Ohio	1.20	.93 (1)
Cincinnati, Ohio	1.10	1.01 (1)
Dayton, Ohio	1.10	.99 (1) **
Indianapolis, Indiana	.96	1.02 (1)
Louisville, Kentucky	1.10	1.13 (1)
Norfolk, Virginia	1.82	1.66 *

* Class 40 (5th.) Rate

** Intermediate to Richmond, Indiana via P. R. R.

(1) C. N. R. Tariff CU-120

EXHIBIT 5

COMPARISON OF UNIT COST PER COMBINE

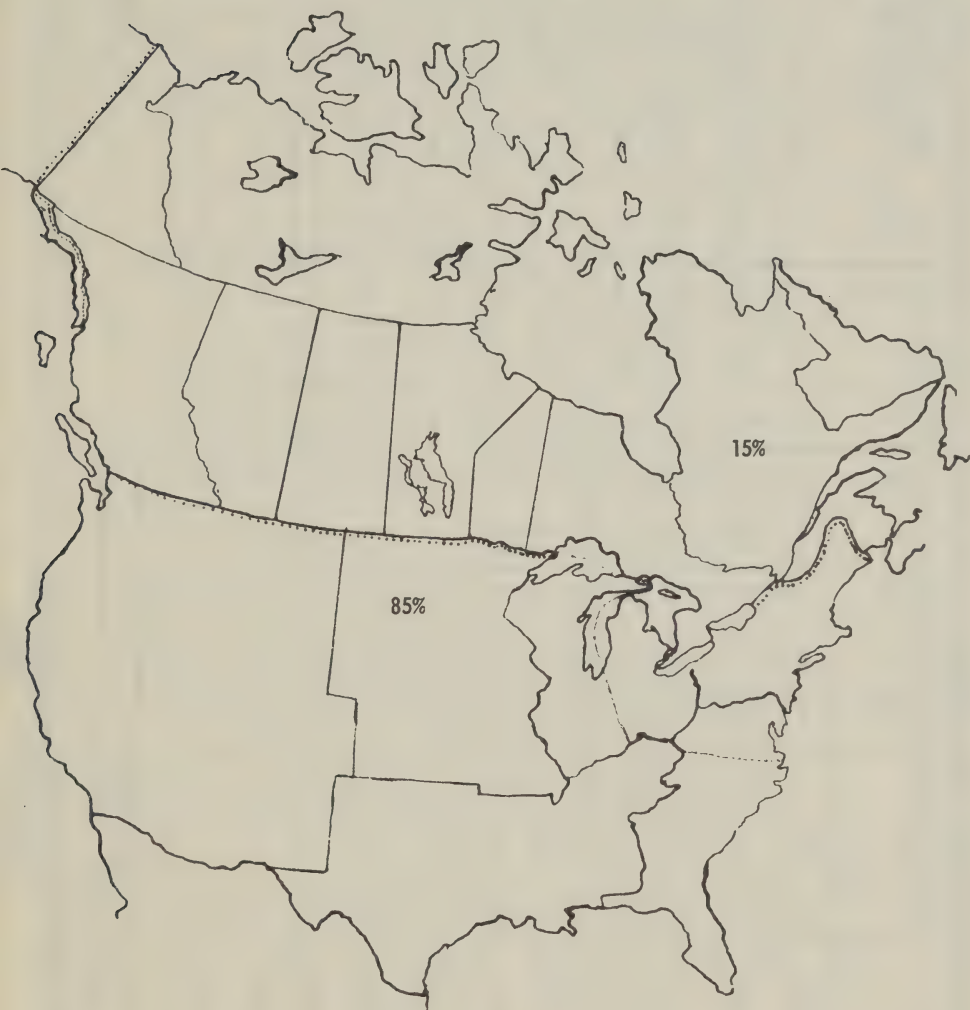
DESTINATION	TORONTO, ONT.			MOLINE, ILL.			DISADVANTAGE PER UNIT	
	Unit Weight	Freight Rate	Unit Cost	Unit Weight	Freight Rate	Minimum		Unit Cost
Winnipeg, Man.	7100	2.21	156.91	7100	1.96	20M	139.16	- 17.75
				7100	1.87	24M	132.77	- 24.14
				7100	1.77	30M	125.67	- 31.24
				7100	1.59	40M	112.89	- 44.02
Saskatoon, Sask.	7100	2.99	212.29	7100	2.54	20M	180.34	- 31.95
				7100	2.54	24M	180.34	- 31.95
				7100	2.45	30M	173.95	- 38.34
				7100	2.23	40M	158.33	- 53.96
Edmonton, Alta.	7100	3.58	254.18	7100	3.10	20M	220.16	- 34.02
				7100	3.10	24M	220.16	- 34.02
				7100	3.01	30M	213.71	- 40.47
				7100	2.79	40M	198.09	- 56.09

NOTE: For the comparison unit cost per combine, either the 20,000 pound minimum weight or the 24,000 minimum weight column should be used depending on the type of combine shipped. We have shown the four minima for information only, and to indicate the difference on other agricultural implements that can be loaded to the higher minima.

GENERAL TRAFFIC DEPARTMENT
FEBRUARY 17, 1961

Exhibit 6

MAP - Approximate Division of Canadian and United States
Market for Agricultural Machinery
15% favourable to Canadian Industry
85% favourable to United States Industry



CARLOAD RATES ON AGRICULTURAL IMPLEMENTS FROM TORONTO, BRANTFORD & WOODSTOCK FROM 1947 TO MAR. 1/55

Exhibit 7

TO	RB	6th Class	Connectivity Rates	Apr. 8 1948	Oct. 11 1949	Mar. 23 1950	June 16 1950	July 26 1951	Feb. 11 1952	May 1 1952	Jan. 1 1953	Oct. 16 1952	May 1 1953
ATIKOKAN	44	.80				1.13	1.17	1.30	1.35	1.27	1.48	1.38	1.43
BRANDON	116	1.16	.97½	1.18 1.40	1.27 1.51	1.36 1.62	1.41 1.68	1.88	1.96	1.86	2.15	2.04	2.12
CALGARY	182	1.79	1.66½	2.01 2.17	2.17 2.34	2.33 2.51	2.41 2.60	2.91	3.03	2.91	3.31	3.17	3.32
EDMONTON	182	1.79	1.63½	1.98 2.17	2.14 2.34	2.30 2.51	2.38 2.60	2.91	3.03	2.91	3.31	3.17	3.32
LETHBRIDGE	176	1.72	1.62½	1.97 2.08	2.13 2.25	2.29 2.42	2.37 2.50	2.80	2.91	2.80	3.19	3.05	3.20
REGINA	142	1.37	1.28	1.55 1.66	1.67 1.79	1.79 1.92	1.85 1.99	2.23	2.32	2.21	2.54	2.42	2.53
SASKATOON	154	1.49	1.39½	1.69 1.80	1.83 1.94	1.97 2.08	2.03 2.16	2.42	2.52	2.44	2.76	2.63	2.75
SWIFT CURRENT	156	1.51	1.42½	1.72 1.83	1.86 1.98	2.00 2.13	2.06 2.20	2.46	2.56	2.45	2.80	2.67	2.80
WINNIPEG	84	1.01	.82½	1.00 1.22	1.08 1.32	1.16 1.42	1.20 1.46	1.64	1.71	1.61	1.86	1.75	1.83
YORKTON	136	1.30	1.20½	1.46 1.57	1.58 1.70	1.70 1.83	1.76 1.89	2.11	2.19	2.09	2.40	2.28	2.39
VANCOUVER	296	2.20		2.66	2.87	3.08	3.19	3.57	3.71	3.58	4.07	3.91	4.10

(1) On June 16th., 1950 an additional increase of 3.4% was added but not to exceed 20% over the rate in effect prior to October 10th., 1949.

(2) On February 11th., 1952 an additional increase of 4% was added but not to exceed 17% over the rate in effect prior to July 25th., 1951.

NOTE: To Oct. 29/52 Min. Weight 24,000 lbs.
From Oct. 30/52 Agric. Impls., Min. Weight 24,000 (Closed Cars)
Hay Bales - Harvesters - Threshers (Flat Cars)
Cars Not Exceeding 41' 8" 18,000 lbs.
Exceeding 41' 8" 20,000 lbs.

GENERAL TRAFFIC DEPT.
FEBRUARY 8, 1961.

CARLOAD RATES ON AGRICULTURAL IMPLEMENTS FROM TORONTO, BRANTFORD & WOODSTOCK FROM MAR. 1/55 TO DATE

TO	RB	Mar. 1955 4G	% Inc. Or Dec.	July 3 83 7%	Jan. 1957 76B 83A 4%	Jan. 1957 1957 83A 4%	Jan. 1957 1957 83A 11%	76B Sup. 4 +2¢	Mar. 1957 76B Sup. 30 4G	76B + 2¢	Dec. 1958 84 17%	76B +2¢	Mar. 1959 76B -3¢	Aug. 1959 84A 10%	76B Dec. 1959 -1¢ 76C -4.72% & 15¢	May 1960 76C 84A Sup. 1	
							(1)										
ATIKOKAN	220	1.68	+1.8%	1.80	1.64	1.87	1.86	1.70	1.72	1.86	1.70	1.72	2.18	2.03	1.87	2.01	1.77
BRANDON	364	2.26	+6.6%	2.42	2.24	2.52	2.51	2.33	2.35	2.50	2.32	2.34	2.93	2.73	2.55	2.47	2.42
CALGARY	630	3.32	-	3.55	3.33	3.69	3.69	3.47	3.49	3.68	3.46	3.48	4.31	4.08	3.80	3.71	3.63
EDMONTON	614	3.25	+2.2%	3.48	3.26	3.62	3.61	3.39	3.41	3.62	3.40	3.42	4.24	4.00	3.74	3.64	3.58
LETHBRIDGE	598	3.19	-3%	3.41	3.20	3.55	3.54	3.32	3.34	3.54	3.32	3.34	4.14	3.90	3.65	3.56	3.49
REGINA	454	2.62	+3.6%	2.80	2.61	2.91	2.91	2.71	2.73	2.90	2.70	2.72	3.16	2.95	2.97	2.89	2.83
SASKATOON	490	2.76	+4%	2.95	2.75	3.07	3.06	2.89	2.88	3.06	2.86	2.88	3.58	3.36	3.35	3.37	2.99
SWIFT CURRENT	508	2.83	+1.1%	3.03	2.83	3.15	3.14	2.94	2.96	3.14	2.94	2.96	3.44	3.22	3.21	3.45	3.08
WINNIPEG	319	2.08	+13.7%	2.23	2.06	2.32	2.31	2.13	2.15	2.30	2.12	2.14	2.48	2.30	2.34	2.26	2.21
YORKTON	436	2.54	+6.3%	2.72	2.53	2.83	2.82	2.63	2.65	2.82	2.63	2.65	3.08	2.88	2.89	2.80	2.76
VANCOUVER	818	4.07	-7%	4.35	4.10	4.52	4.52	4.27	4.29	4.52	4.27	4.29	5.00	4.75	4.69	4.59	4.50

(1) On Jan. 1/57 an additional increase of 4% was added but not to exceed 11% over the rate in effect prior to July 2/56.

NOTE: To Oct. 29/52 Min. Weight 24,000 lbs.
From Oct. 30/52 Agric. Impls. Min. Weight 24,000 (Closed Cars)
Hay Balers - Harvesters - Threshers (Flat Cars)
Cars Not Exceeding 41' 8" 18,000 lbs.
Exceeding 41' 8" 20,000 lbs.

GENERAL TRAFFIC DEPT.
FEBRUARY 8, 1961

**Massey-Ferguson Limited***Head Office, Toronto 3, Canada*

December 15, 1958.

The Honourable A. J. Brooks,
Minister of Veterans Affairs,
Parliament Buildings,
Ottawa, Canada.

Sir:

We respectfully refer you to the Board of Transport Commissioners Order 96300 which granted the Canadian Railways a 17% increase in rail rates, and approval of the increase was given by the Federal Cabinet. The increase took effect December 1, 1958.

We have learned that two Committees have been set up, one to study the over-all freight rate structure and the second one to present a plan to ease the impact of the latest increase on specific areas or industries. We understand that you are Chairman of the latter Committee.

In the Royal Commission investigation, J. D. Woods and Gordon reported on the agricultural machinery industry. We would like to quote paragraphs one and two on page 22 of this Report.

"This estimate indicates that the United States agricultural machinery industry has an advantage in outward freight costs in about 75% of the combined United States-Canadian market for agricultural machinery and the Canadian industry has a freight advantage in about 25% of this combined market.

"The map shown as Exhibit VI indicates that all of Canada is included in the area in which outward freight costs are favourable to the Canadian industry. Actually, western Canada is considerably closer to the centre of the United States industry at Davenport-Moline, Iowa, than it is to the centre of the Canadian industry around Hamilton, Ontario. In spite of this, the freight rates to most points in western Canada have been slightly lower from Hamilton, Ontario, than from Davenport-Moline, Iowa, since 1919."

This Report was published in 1956; however, the data used in compiling this Report must have been from rates in effect prior to that time, because our information is to the effect that the Canadian agricultural industry was already at a disadvantage in 1956. Subsequent to this Report, there have been further increases granted to Canadian railways as follows:

Massey-Ferguson

The Honourable A. J. Brooks

December 15, 1958.

July 3, 1956 - Board's Order 89030 - 7% increase
 January 1, 1957 - Board's Order 90447 - 11% increase
 December 1, 1958 - Board's Order 96300 - 17% increase

Within the United States and on International rates during the same period, the following increases have taken place:

Tariff X-196A - March 7, 1956 - 6%
 Tariff X-206 - December 28, 1956 - 7%
 Tariff X-206A - August 26, 1957 - (cancelled X-206 increase
 of 7% and added 14%)
 Tariff X-212 - February 1, 1958 - 3%

When the last U.S. increase was made effective in Tariff X-212, agricultural implements were specifically exempted from the general increase of 2% or 3%, depending on the category.

At the time of the July 3, 1956 increases, rates had then progressed to the point where they were in favour of the Davenport-Moline area.

This latest increase has the effect of further extending the percentage of the market and area in which we are at a disadvantage. As an example, we are showing on Appendix 1 the present rates from Moline to two points in western Canada as compared to the rates from Toronto for the years 1956, 1957 and 1958, indicating the changes which have taken place. We are also showing the freight cost per unit on a representative "Harvester" and "Thresher" combined.

We consider that these horizontal increases which have taken place in Canada in the past few years is the wrong method for all commodities, as certain basic raw materials and some manufactured products cannot stand such increases and still remain competitive. In fact, this latest increase means that we as a Canadian manufacturer of farm equipment cannot compete with U.S. manufacturers in the area west of Antikokan, Ontario.

In addition to the impact of the railway rate increases, we have an additional burden of the premium of the Canadian dollar to contend with on shipments into the United States, which places our Company at a further disadvantage when competing against United States manufacturers.

We are bringing this matter to your attention and forwarding copies of this letter to the other members of your Committee, so that they will be aware of our position when you are studying the over-all situation.

Yours very truly,

MASSEY-FERGUSON LIMITED

LJC/nj

CC: Hon. D. M. Fleming (Minister of Finance)
 Hon. G. M. Hees (Minister of Transport)
 Hon. D. Harkness (Minister of Agriculture)
 Hon. A. Hamilton (Minister of Northern Affairs)
 Hon. R. O'Hurley (Minister of Defence Production)
 Hon. G. Churchill (Minister of Trade)

L. J. O'Neil
 General Traffic Manager.

6
HOUSE OF COMMONS
Fourth Session—Twenty-Fourth Parliament
1961

STANDING COMMITTEE
ON
Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

Respecting
PRICES OF FARM MACHINERY

TUESDAY, MAY 2, 1961

WITNESSES:

From Massey-Ferguson Limited: Messrs. T. J. Emmert, Vice-President; W. J. Forsyth, General Sales Manager; N. H. Penney, Comptroller; D. W. H. Denton, Director, Personnel and Industrial Relations; J. G. Kingsmill, Assistant Comptroller; L. J. Child, General Traffic Manager; R. M. Snelgrove, General Attorney and H. L. Hickey, General Public Relations Manager.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Regnier
Clancy	Horner (<i>The Battlefords</i>)	Ricard
Clermont	Howe	Rogers
Cooper	Kindt	Rompere
Danforth	Knowles	Smith (<i>Lincoln</i>)
Doucett	Korchinski	Southam
Drouin	Latour	Stefanson
Dubois	Leduc	Tardif
Dupuis	McIntosh	Thomas
Fane	Michaud	Thompson
Forbes	Milligan	Tucker
Forgie	Montgomery	Villeneuve
Godin	Muir (<i>Lisgar</i>)	Webb—60.
Gundlock	Nasserden	
	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, May 2, 1961.

(11)

The Standing Committee on Agriculture and Colonization met at 2.30 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Clermont, Cooper, Danforth, Doucett, Drouin, Fane, Forgie, Gundlock, Henderson, Hicks, Horner (*Acadia*), Horner (*The Battlefords*), Horner (*Jasper-Edson*), Howe, Kindt, Knowles, Korchinski, McBain, Milligan, Muir (*Lisgar*), Nasserden, Noble, Peters, Phillips, Racine, Rapp, Regnier, Ricard, Rompre, Smallwood, Southam, Tardif, Thomas, Thompson, Tucker, Villeneuve and Webb—(37).

In attendance: From Massey-Ferguson Limited: Mr. T. J. Emmert, Vice-President, North American Operations; Mr. W. J. Forsyth, General Sales Manager—Canada; Mr. N. H. Penney, Comptroller; Mr. D. W. H. Denton, Director, Personnel and Industrial Relations; Mr. J. G. Kingsmill, Assistant Comptroller—Financial Analysis; Mr. L. J. Child, General Traffic Manager; Mr. R. M. Snelgrove, General Attorney; and H. L. Hickey, General Relations Manager.

The Chairman provided the Committee with quotations from Beauchesne's Fourth Edition, Bourinot's Fourth Edition and May's Sixteenth Edition on the conduct of witnesses appearing before a House of Commons Committee.

The questioning of the officials of Massey-Ferguson Limited was continued. At 5.05 p.m. the Committee adjourned until 7.30 p.m.

EVENING SITTING

(12)

The Committee reconvened at 7.40 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Badanai, Campbell (*Lambton-Kent*), Clermont, Cooper, Danforth, Fane, Gundlock, Hales, Henderson, Hicks, Horner (*Acadia*), Horner (*Jasper-Edson*), Horner (*The Battlefords*), Howe, Knowles, Korchinski, Lahaye, McBain, Milligan, Montgomery, Nasserden, Pascoe, Peters, Phillips, Racine, Regnier, Rompre, Smallwood, Southam, Thomas, Thompson, Tucker, Villeneuve and Webb—(34).

In attendance: Same as at afternoon sitting.

The Chairman handed a letter to Mr. Emmert, officially advising Massey-Ferguson Limited of the resolutions passed by the Committee Monday, May 1st.

The questioning of the officials of Massey-Ferguson Limited was concluded.

The Chairman, on behalf of the Committee, thanked the officials of Massey-Ferguson Limited for their appearance.

Mr. Emmert asked for and received from the Committee permission to make a closing statement.

Mr. Emmert, on behalf of Massey-Ferguson Limited, invited the Committee to visit, at the company's expense, their Company and Engineering Test Centre in Toronto. The Chairman thanked Mr. Emmert for the invitation and advised him that the Committee would consider it.

At 10.25 p.m. the Committee adjourned until Monday, May 8th at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

TUESDAY, May 2, 1961.

The CHAIRMAN: Gentlemen, before the committee starts, I would like to quote from some of the highest parliamentary authorities on the conduct of witnesses appearing before a House of Commons committee.

First from *Beauchesne's* fourth edition, page 241:

295. (2) A committee has no authority to punish one of its members or other person, for any offence committed against it, as by disorderly words or contemptuous conduct, as, for example, when a witness refuses to testify, or prevaricates, but can only report such offences to the house for its animadversion.

Second, from *Bourinot's* fourth edition, page 482:

IX. Witnesses before select committee.—

If a witness should refuse to appear on receiving the order of the chairman, his conduct will be reported to the house, and an order immediately made for his attendance at the bar, or before the committee (q). If he would still refuse to obey, "he may be ordered to be sent for in custody of the sergeant-at-arms, and the speaker be ordered to issue his warrant accordingly, or he may be declared guilty of a breach of privilege, and ordered to be taken into the custody of the sergeant"(r).

Similar proceedings are taken when a witness refuses to answer questions (s).

Third, from *May's* 16th edition, page 674:

Misbehaviour of witnesses before select committees.—If a witness refuses to answer a question properly put to him, or to produce a paper which he has been directed to produce, the matter is usually reported to the house. In such cases the house has ordered the recalcitrant witness to attend at the bar, where he has been admonished by the Speaker as to the necessity of answering such questions as may be put to him by the committee (o).

To conclude, also from *May's* 16th edition, a quotation which shows how much authority a committee has in questioning a witness, page 674:

A witness is, however, bound to answer all questions which the committee see fit to put to him (f), and cannot excuse himself, for example, on the ground that he may thereby subject himself to a civil action (g), or because he has taken an oath not to disclose the matter about which he is required to testify (h), or because the matter was a privileged communication to him, as where a solicitor is called upon to disclose the secrets of his client (i), or on the ground that he is advised by counsel that he cannot do so without incurring the risk of incriminating himself or exposing himself to a civil suit (k), or that it would prejudice him as defendant in litigation which is pending (l), some of which would be sufficient grounds of excuse in a court of law. Nor can a witness refuse to produce documents in his possession on the

ground that, though in his possession, they are under the control of a client who has given him instructions not to disclose them without his express authority (m).

Are there any comments on these quotes I have just read into the record? For clarification purposes, there was some discussion, you recall, which arose yesterday as to the powers of the committee, and I hope that this will clarify to some extent what the powers of this committee are.

Mr. T. J. EMMERT (*Vice-President, Massey-Ferguson Limited*): Mr. Chairman, may I ask a question? As I understood your comments, they refer to a select committee. Is this committee a select committee?

The CHAIRMAN: It is a select committee. I would say that it definitely is a select committee. All standing committees are select committees, in my interpretation of it.

Mr. EMMERT: Is there no differentiation between a standing and a select committee?

Mr. GUNDLOCK: Standing committees are select as compared to a committee as a whole.

Mr. EMMERT: Do you agree with that, Mr. Snelgrove?

The CHAIRMAN: May I interpret what a select committee is? It is selected from the whole membership of the house. In this instance the members on this standing committee are 60—they are selected from the membership of the whole house. Therefore they are designated as a select committee.

Mr. SNELGROVE: Mr. Chairman, this is merely a point to correct any impression that we have obtained prior to this time, and correct me if I am wrong, but it seems to me that a standing committee is a continuing committee which has been appointed by the house, and a select committee is one usually appointed for a specific purpose. Once that purpose has been performed, then it dissolves. I note in the proceedings that have been published that this committee is called a standing committee on agriculture and colonization. I do not see the term or word "select" injected in its description. This is just for our own clarification.

The CHAIRMAN: Have you seen any reference to a select committee?

Mr. SNELGROVE: I have not, Mr. Chairman—not in these proceedings.

The CHAIRMAN: Are there no further questions on that? I think we should probably start from where we left off last night, and I had given the floor to Mr. Thomas.

Mr. THOMAS: I am a bit rusty on these questions I am going to ask, but referring to pages 11 and 20, the mandate of credit, my question is in regard to this: would it defer credit facilities or would more adequate credit facilities tend to reduce the price of farm machinery to the consumer? As background to my question I might point out that the intimation is made, I believe, on page 11, that the farmer-customer has been purchasing increasingly on credit—about ten lines down from the top of page 11. It goes on to say that these circumstances have inevitably increased the cost of investment in dealer inventory, and in providing marketing distribution, and servicing facilities. I do not just see where the inference is there, but taking that the matter of credit is mentioned, and again on page 20 they mention the Farm Improvements Loan Act, contributions to farm economy, again I do not see how that would affect the price of farm machinery. For that reason I am asking the question. Could Mr. Emmert comment or possibly give some amplification of those statements? In his opinion, would more adequate credit facilities tend to decrease the price of farm machinery?

Mr. EMMERT: Mr. Thomas, if I may reply to the second part of your question, that is relating to page 20, the reference to the price of farm machinery, I agree, is rather obtuse. What is in our mind there is that through the provision of an adequate method for retail financing on the part of the customer, it enhances his ability to provide himself with equipment that he needs. That, in turn, improves the volume of equipment sold by the manufacturers. Volume, of course, is a very vital function of price. As the volume improves, the cost factors thereby improve. Your fixed expenses can be written off over a large number of units. I explained yesterday, if you recall, that we were not in the business of buying time paper. We have set up these three retail finance subsidiaries solely for the purpose of providing our dealers with the sales tool, and we strongly and sincerely believe that it also provides a service to our customer with a means to obtain equipment that they otherwise might not be able to get. I think it follows they would not be interested in buying equipment unless they saw some benefit to themselves from the acquisition of the equipment.

Mr. THOMAS: You would say, Mr. Emmert, that the credit facilities at present have no bearing on the cost of farm machinery?

Mr. EMMERT: No, Mr. Thomas, I could not quite say that because I believe that without adequate credit facilities the volume of farm equipment purchased by the customers would decline, and volume is a very important consideration in price.

Mr. THOMAS: You say that the farmers of Canada today lack adequate credit facilities for purchasing machinery?

Mr. EMMERT: I am not qualified to say whether they lack them or not. All I can do is to repeat the figures we gave the committee yesterday as to the growth in the use of our subsidiary finance facilities.

Mr. THOMAS: What we are after here I think would be your opinion as to the adequacy. Maybe you would care to just express your own personal opinion from your experience with the Massey-Ferguson Company.

Mr. EMMERT: In that context I would have to say that it would be my opinion, based on the use that has been made of the company's credit facilities, that the farmers otherwise lack what they consider to be adequate facilities.

Mr. THOMAS: And that, by reducing possibly the volume of machinery purchased, may have some effect on the price and it would be in effect to raise the price. Is that correct?

Mr. EMMERT: No, I would say that the provision of adequate credit facilities enabling farmers to equip themselves, if they wish to do so, would tend to improve the volume sold and therefore tend to stabilize prices which on shorter volume would have to be increased.

Mr. THOMAS: That is what I mean. Is it your evidence that they presently lack adequate buying facilities, adequate credit facilities to purchase machinery, and therefore the volume being purchased is reduced in comparison to what it could be?

Mr. EMMERT: That is right.

Mr. THOMAS: Therefore the present price of machinery tends to be higher because of the lack of credit facilities?

Mr. EMMERT: I have added, however, Mr. Thomas, that our finance facilities seem to have filled the void. That is one reason for having them.

Mr. THOMAS: There is another question there, Mr. Emmert. Do credit facilities provided by Massey-Ferguson in any way increase the price, that is, through added carrying charges?

Mr. EMMERT: No. We recited yesterday the absolute simple interest percentage charged on our retail contracts. We stated that those terms in terms of interest—and I might add also in terms of length of payment—are completely competitive with any others being offered. We also stated that relative to terms a customer is able to obtain on automobiles, household equipment, etcetera, they are more favourable. The activities of the finance corporation are not considered in the price of the farm equipment. This becomes a separate transaction between our dealer and our customer. It is the price that the customer pays, and whatever bargain is worked out between the dealer and the customer, it is the same whether he pays on time or for cash within the scope of the dealer's circumstances at that point.

Mr. THOMAS: There is another question based on a statement on page 23 of the brief, near the end of the last paragraph there. The brief says:

We would not disagree with the conclusion of the Woods-Gordon report (page 37) that Massey-Ferguson "with its substantial manufacturing operations both in Canada and the United States will be in a position to choose the location of any expansion on the strength of the conditions affecting costs and market at that time". We also recognize the fact that United States based companies have a clear edge in terms of advantageous location in the high volume North American market. Unfavourable developments in either the transportation rate situation or in our labour rate position could render the present North American deployment of production facilities, uneconomic.

Mr. HORNER (*Acadia*): I have a few questions on finance.

Mr. THOMAS: There are some very serious implications contained in the statement in the brief and what I am going to aim at is to see if we can work out something a little more specific. In the brief you say:

Unfavourable developments in either the transportation rate situation or in our labour rate position could render the present North American deployment of production facilities, uneconomic.

Bringing that down to our Canadian situation would you say, Mr. Emmert, that an increase in transportation rate might have a tendency to decrease or restrict the manufacture of implements in Canada so far as your company is concerned?

Mr. EMMERT: Yes.

Mr. THOMAS: Then, would a decrease in the transportation rate tend to increase the manufacture of agricultural implements as far as your company in Canada is concerned?

Mr. EMMERT: Yes.

Mr. THOMAS: Going over to the labour rate position, would an increase in the labour rates tend to decrease the manufacture of implements in Canada as far as your company is concerned?

Mr. EMMERT: Yes.

Mr. THOMAS: Would a decrease in labour rates tend to increase the manufacture of agricultural implements in Canada as far as your company is concerned?

Mr. EMMERT: Yes.

Mr. THOMAS: There is another one. On page 21—

Mr. HORNER (*Acadia*): Mr. Chairman, I do not mean to interrupt, but we have jumped first to finance, then to transportation, then to labour. Yesterday we followed a continuity of questions until a certain subject was exhausted. Today we seem to be jumping up and down the full scale. Is this going to proceed?

The CHAIRMAN: I let one member, when he had a question, proceed with various questions, and there were some supplementaries interjected from time to time. I understand that you have a supplementary and as soon as Mr. Thomas has finished, we will hear you.

Mr. HORNER (*Acadia*): I do not say this for myself, but I am thinking of the report when it comes out. You will have a jumble of everything. If we took them in their proper order—financial aspects, engineering and research, distribution, labour and transport, certainly there would be some continuity in the report.

Mr. THOMAS: To deal with wage rates, page 4, Appendix E bears on matters of wage rates. Massey-Ferguson pay \$2.19 on average hourly earnings of their employees. On agricultural implements in Canada it is \$2.13; on durable goods it is \$1.97; on transportation equipment it is \$2.08; on iron and steel products it is \$2.09; on all manufacturing industries in Canada it is \$1.82. My question is this: why do Massey-Ferguson pay their hourly rated employees an average of \$2.10 per hour while the average wages paid in all manufacturing industries in Canada is \$1.82? There is a bit of background for that question. May I say that in a recent press release Mr. Eugene Forsey, economic advisor to the Canadian congress of labour has pointed out that the unions are not entirely responsible for increases in wages, that the manufacturing companies have increased wages and have to take their share of responsibility for the increased wages.

Now, can you tell us, Mr. Emmert, why the Massey-Ferguson Company have found it necessary to pay wages which are higher than other wages paid in the Canadian industry in view of the fact that also it was stated yesterday that the company was in business for profit, which we could well understand. Can you enlarge on that fact that you are paying higher wages than industry in general?

Mr. EMMERT: Mr. Chairman and Mr. Thomas, the comparison which has been drawn as between our average hourly wage of \$2.19 against all manufacturers at \$1.82, is a difference of 37 cents an hour. I think there are two major reasons for Massey-Ferguson paying a higher rate than industry generally, which is the other category. In the first place, as Mr. Denton defined yesterday, our hourly rated people are all organized, they are all members of a union. In Canada they are all, or practically all, members of one union, which is the united automobile workers. This union is a very strong and powerful labour body. They have a tremendous bargaining power. Our company has been fortunate in its, at least, recent history; there has been only one work stoppage. The penalty, however, for not having more work stoppages has been to keep pace within reasonable limits, I think, with the demands of the union representing our employees.

The second reason that Massey-Ferguson's rates might be higher than a more comparable section of the trade, namely the other farm equipment manufacturers is, as described yesterday, we have three major rates for paying our employees—the straight day, the measured day and the incentive plan. An incentive plan is installed literally for one reason, to obtain more work from a given facility through the output of greater effort—nothing strained but greater effort on the part of the employee. If he does that he is reimbursed at a higher rate than the man working on a straight day work basis. These two factors account for it. Mr. Denton, have you anything to add?

Mr. DENTON: I think the figures we have cited quite properly are national figures. The geographical location could account for a factor we have to consider.

Mr. EMMERT: That is a very good point.

Mr. THOMAS: Are those incentive programs included in that \$2.19 an hour?

Mr. DENTON: Yes it is, it includes all earnings.

Mr. THOMAS: And fringe benefits?

Mr. DENTON: It does not include fringe benefits.

Mr. THOMAS: You take X number of employees and divide the total sum earned and pay those employees for so many hours of work, and included in that total sum earned would be everything including incentive?

Mr. DENTON: It is the direct wage payments to the employee but it does not include fringe benefits such as pension plan.

Mr. EMMERT: Mr. Thomas, another word of explanation. Our company's operations in Canada only refer to the products we manufacture in Canada, primarily combines and balers, and such large items are pretty well integrated. We have a foundry, a stamping plant, and we go right from the raw steel in many points. As a result of that, our company has a very high level of skilled workers, particularly in the tooled capacity. Now, an abundance of skilled workers in any enterprise tends to raise the average hourly rate. I think you will agree, Mr. Denton, that our ratio of skilled workers to production line workers is higher than most other companies.

Mr. THOMAS: I wonder if you would refer to the remarks at the top of page 27:

We can affirm the finding of the Woods-Gordon report that our company, in its future expansion plans, will have to weigh carefully the advantages of labour cost, in a Canadian-based operation, against the transportation and other advantages of location in the United States.

You mentioned the transportation cost and the advantage of position. I take that to be an item explained yesterday as for instance, being over in Illinois in the Chicago area is a more advantageous position or location for an agricultural manufacturing industry than is for instance Toronto or Hamilton which is further removed from the larger areas of cultivation on the North American continent. You mention here "against the transportation" and other advantages of location in the United States. What would be the other advantages, other than transportation?

Mr. EMMERT: Mr. Thomas, some of the other advantages are not quite as easy to define as transportation and labour, but to our mind there are several. In the first place our experience is that it is more economical to provide a capital facility in the United States than in Canada. The reason is quite simple. Most of the manufacturers of capital goods operate in the United States. Most capital goods being imported into Canada for the construction of a new facility here are subject to duty. There is a great deal more building being done in the United States and notwithstanding the higher rates in the construction industry down there, it is possible to create a facility at a lower cost than in Canada in this area which we are concerned about. There are marked advantages of being located in or around the Chicago area because then your entire enterprise is at the centre of the market, the people that you have available for hire in the company are immersed in this agricultural industry to a far greater degree than the people in Toronto, let us say, or Hamilton. Some of these are pretty nebulous, but nevertheless have to be weighed in any sort of decision. The one feature of our operation that causes us to be able to do business in Canada to the degree that we do, and to bring to this country \$490 million in U.S. exchange, as we explained yesterday, is the relationship of labour rates, the hourly labour rate in Canada as opposed to the United States. If there is any attempt, a successful attempt, made to equalize labour rates as between Canada and the United States it will not be economic for our company to expand further in Canada.

Mr. HORNER (*Acadia*): I had a supplementary on Mr. Thomas' question on finance but he got away from that quite a while ago. I would like to know, due to the great deal of interest in figures, first of all for the two companies, subsidiaries of Massey-Ferguson, as set up, does one operate solely in Canada and does the other operate solely in the United States?

Mr. EMMERT: That is true.

Mr. HORNER (*Acadia*): Which one does the larger share of business?

Mr. EMMERT: The United States.

Mr. HORNER (*Acadia*): The one in the United States. Is there any comparison between the amount of business done in the United States and the amount handled through this finance company—as much as you have said, 33 or 34 per cent you did in Canada—what percentage of your business in Canada is handled by your finance company down there?

Mr. EMMERT: I do not have the figures, Mr. Horner, as to the percentage of financing done by our United States company. I can only tell you that they are lower and substantially lower than the figures in Canada. If I may, I would like at this point to provide you with the information I promised we would give you yesterday, as between the west and east breakdowns.

Yesterday, we recited that in 1959, 17.2 per cent of the retail sales had been accomplished in terms of retail paper. You are desirous of knowing how that really compared as between the west and the east.

Mr. HORNER (*Acadia*): I think the figures for the previous year, 1957 and 1958, were 33 and 34.

Mr. EMMERT: No, that is 1960 and 1961.

Mr. HORNER (*Acadia*): I am sorry.

Mr. EMMERT: In respect of 1959, in the west, defined as the province of Manitoba, west, 20.5 per cent of sales were accomplished through the medium of a retail finance structure; in the east, defined as Ontario, east, 12.6 per cent. In the year 1960, we said yesterday that the 17.2 per cent figure had risen to 34.1 per cent. I would like to make a correction there. The proper figure is 31.4. This was a topographical error.

Mr. KORCHINSKI: Is that total sales in Canada?

Mr. EMMERT: In Canada, 31.4 per cent of the sales were written against our retail plan. In the west, the figure was 34.9 per cent. In the east, the figure was 25.6 per cent.

The third set of figures, Mr. Horner, that we discussed had to do with the year through March, 1961. The aggregate figure is 33 per cent. The figure in the west is 38.1 per cent, and the figure in the east is 26.2 per cent. Mr. Horner, I think this takes care of the undertaking I made yesterday.

Mr. HORNER (*Acadia*): Yes, very well. I wish to thank you for providing this information so soon. Also, I must say that you have answered my question in regard to the amount of sales through your finance corporation in the United States, it being considerably less. All I wanted to know was whether it was greater or less. It is less?

Mr. EMMERT: Yes.

Mr. HORNER (*Acadia*): There is before the house, right now, a bill to enlarge the total amount loanable from \$300 million to \$400 million up until June 30, 1962. I have the thought in mind as to whether or not proper credit facilities are available to the farmer. Almost all these companies—particularly the one in Canada—charges 11 per cent interest, and the farm improvement loan charges are 5 per cent. This committee has done quite a bit of study into the finance angle. It has been suggested by other members that perhaps if the 5 per cent interest was raised to 6 per cent, and the banks were allowed to lend

on the farm improvement loan at 6 per cent, they would be more willing to make greater use of this. Some people might say that this is substantiated by the fact that 34 per cent of the sales in western Canada are at 11 per cent. Would you be in a position to table, at a later date, perhaps, the earnings of these subsidiary companies, particularly the one in Canada, so that we can judge as to whether or not there is a greater need for new facilities, such as the government finance corporation, to take these away from the banks. Apparently the banks have not been faced with the demand for farm credit, and I am thinking, as was suggested before the committee, that the new farm credit corporations could enlarge their activities in this field. I am thinking, perhaps, of an interest rate which could still be profitable to the people who would undertake it. I think, in order for the committee to judge this properly, one would have to know whether or not your company—and I understand your company is charging a flat 11 per cent to all farmers—and other companies in the finance business vary their percentage with the rate classification of the proposed borrowings. Some are down as low as 7 per cent, and some are higher than 11 per cent. Is it true that your company has a set 11-something per cent?

Mr. EMMERT: It is simple interest.

Mr. HORNER (*Acadia*): And it does not vary with the classification or the credit rating of a proposed customer?

Mr. EMMERT: Will you answer that question, Mr. Snelgrove?

Mr. SNELGROVE: Mr. Chairman, to answer your question, Mr. Horner, the rates do not vary as to the credit capacity or classification of a customer. However, I would like to point out that it is not a flat 11 per cent. As I pointed out yesterday, it is approximately 11.08 per cent, and, of course, this would vary to a small degree, depending on whether there were regular monthly payments or irregular lump sum payments throughout the year, or during the course of the contract. This interest rate, with the exception of the State of Arkansas, applies throughout the entire North American continent. The exception, in the case of Arkansas, is made because of the statute laws in that state which requires a 10 per cent maximum interest charge.

Mr. HORNER (*Acadia*): I have a few further questions in this connection. You suggested that they are not all on a monthly basis. Now there has been a long-standing view that farmers do not like payments coming due at the end of the month, because their income varies more or less semi-annually, rather than monthly. What percentage of your loans are made on a semi-annual basis?

Mr. EMMERT: I do not know the answer to that question. However, I know this: we provide a variety of payment plans so that the customer, in his own circumstances, may choose the one that suits him best. I would think—and this is an opinion—that the percentage being paid monthly, as opposed to seasonal payments, would vary with the economic circumstances, and it would certainly vary with the kind of equipment he purchases. In my judgment, the purchase of a combine, more likely than not, would be on a seasonal payment basis, while a more utilitarian piece of equipment—that is, one which is used the year round, such as a tractor—might be considered to be a better bet on a monthly basis. However, our purpose is to provide our customers with a free choice as to payment plans.

Mr. HORNER (*Acadia*): It might be beneficial to the committee if they knew what percentage of these loans were made on a monthly basis. I would think that a person who preferred a monthly basis would be one of those who was a part-time farmer. Perhaps he has a salaried job besides his farm, and he would prefer a monthly payment because of his steady income, whereas—and I do

not want to use the word bona fide farmer—a farmer wholly dependent on farming might prefer a seasonal basis. If we had a breakdown of this, the committee could then judge as to where most of the loans are being directed to. Another way of putting it would be, where most of the loans that are not being covered by farm improvement loans are going out from.

Mr. EMMERT: I would suggest that the relationship between the monthly payment and seasonal payment plan would vary substantially within the geography of our country. I think it is quite likely that the farmers in the west might elect to use the seasonal payment plan to a much greater extent than the farmer in the east. An example, that of the dairy farmer, was given. He has a relatively steady income. The same holds true for a poultry farmer.

Mr. HORNER (*Acadia*): Could you perhaps come at a later date and supply this committee with some information in this regard? Could you give us some approximate figures showing whether most of the loans made in the west are on a seasonal basis, so that it would be clear in the minds of the members of the committee where this gap is, and why it is there.

Mr. EMMERT: We will analyze the information in this respect, Mr. Horner, and, if it is available, we would be delighted to furnish it to you.

Mr. HORNER (*Acadia*): I have one further question in connection with this matter. Although I will not press it, could we have some idea—and I do not think that I would be putting any machine company in an embarrassing position, competition-wise, in asking this information to be made public, because other finance companies publish yearly figures as to their profits, sales and their liabilities, and so on—with regard to the one particularly operating in Canada.

Mr. EMMERT: Mr. Horner, in that respect, if the committee chooses, in its wisdom, to ask for that information from all financing sources which serve the farmer, then I think we would consider favourably the idea of providing you with that information. However, if it is to be a singled-out request for our finance company, then I would have to say that we cannot reveal competitive information.

Mr. HORNER (*Acadia*): Well, Mr. Emmert, as far as I know, the Lord being willing, I will be here to ask all the companies before this committee similar questions.

Mr. EMMERT: Let me be very clear on that. I did not say just the other implement companies; I said all companies financing farm equipment. This would include banks, finance companies, and small loan companies.

Mr. HORNER (*Acadia*): There is a list of them here. There is the Canadian Acceptance Corporation, the Equipment Finance Company Limited, Traders Finance, Industrial Acceptance Corporation, and so on. I do not know what their business is in farm machinery, but it is all public information. In 1959, Traders Finance made somewhere in the neighbourhood, of \$4,781,000 net profit. I know it sounds like a lot of money, but it is all public information.

Mr. EMMERT: No, not quite. What you do not find, in the case of Traders Finance, are the accounts of a wholly owned subsidiary, which is what you are requesting of us. You find there the same accounts which we have released in our annual statement.

Mr. HORNER (*Acadia*): O.K., fine. As I said, I am not going to press the issue.

Mr. SOUTHAM: Mr. Chairman, I have a supplementary question. I was interested in the final question put by Mr. Thomas in regard to your finance company, or the subsidiary you set up to develop this finance paper. Did I understand you correctly to say that it was wholly self-sufficient? I am assuming that with this 11 per cent which you are charging, it makes this

company self-liquidating, as far as the overhead is concerned, and that there is no charge-back directly to your machine company in order to carry on this line of financing.

Mr. EMMERT: At the risk of taking a long time to explain this, I think I should do so, as it is an important subject to the committee. Allow me to explain the organization of our Canadian finance company and how it operates.

Massey-Ferguson has offered, for a good many years, accommodation to retail customers. We have had retail finance plans for a long time. For many years we offered them in the name of Massey-Ferguson Limited. As the record which I have recited indicates, the value of the retail paper outstanding has risen quite considerably in recent years. Last year we felt we had gotten to a point where we should attempt to segregate the financial implications of the finance company, or the finance operations from the machine company accounts. Therefore, we set up Massey-Ferguson Finance Company Limited of Canada, a wholly owned subsidiary of Massey-Ferguson Limited. We maintain in Toronto an exceedingly small staff on the payroll of Massey-Ferguson Finance Company Limited. That company has entered into an agreement with the machinery company to reimburse the machinery company for the services of men already in the field—men on Mr. Forsyth's staff, whose job it is to travel the territory and call on the dealers. Part of their job has been, and continues to be, to collect accounts to ensure they are kept in order. The manufacturing company is reimbursed the cost, plus a nominal profit for the costs they incur in servicing the accounts of the finance company.

I believe the finance company was incorporated in August or September of last year. Our year ends October 31. We therefore had a very short year's experience last year and have had very little experience this year. Obviously we hope that this finance company will be a self sufficient entity. We do not know that yet. One element in the finance business is of extreme importance in the financial implications. It is one which is almost impossible to forecast accurately; that is the number of bad debts we might incur. This bears a very strong relationship to the general economic climate and to the economic well being of the customers who have chosen to use our plan. Obviously, based on history, we make what we consider to be good guesses as to the bad debts, repossessions, how much we can get for the material we may have to repossess; but only the future will tell us whether we are right or wrong. This, of course, is true in any finance company and the banks.

Mr. SOUTHAM: I am trying to pursue the thought as to whether or not we are providing adequate finance facilities to the farmers. You people have found out it is your business to provide this in order to step up sales. If an independent finance company carried on this function or if some government corporation were carrying on this full responsibility, would it take away from the overall cost of the price of farm machinery to the farmer? Are the facilities which you have a help? Do they increase the overall cost to the farmer?

Mr. EMMERT: We would have to say no. We offer more attractive rates than the other facilities, excluding the I.F.L.A.

Let me repeat a point I made yesterday. We encourage our customers and our dealers to use other financing facilities. We do not attempt to sell our paper. This is a sales tool for the purpose of increasing our volume. From our point of view it is a facility for the customer. We would welcome any opportunity to employ less of our limited capital in this field, because I think we can put the capital to more advantageous use in other elements of our business.

Mr. SOUTHAM: Thank you.

Mr. MILLIGAN: What percentage would the bad debts be?

Mr. EMMERT: Fortunately in Canada they have been very low. They have run less than one per cent.

Mr. KORCHINSKI: You mentioned you have been in this finance business for quite a few years. Could you tell us how long you have been in this financing business?

Mr. FORSYTH: Mr. Chairman and Mr. Emmert, it goes back at least to 1930. I think it goes back to the time when farm machinery was first sold on credit, which could be the early 1920's. From the time it was common to the industry, let us say, these services have been available to the purchaser.

Mr. KORCHINSKI: Was it in existence prior to the time when the dealers were merely mail clerks; when they were referred to in these terms as they merely put orders into the company, and so on. Was a similar type of service in existence in respect of these sales?

Mr. FORSYTH: There is quite a major difference. I am sorry I cannot give a date; but there was a time in the farm implement business which I believe extended into the 1930's when there was a significant difference between the cost of a machine purchased on retail credit and the machine sold for cash. Previous to the early 1930's it was uncertain whether it would be a credit sale or a cash sale. If it were a credit sale, whatever the amount of money was it was established. The finance charge went on to that. Then some time in that period the time payment price differential was eliminated. I think that was pretty much true of the industry.

Mr. KORCHINSKI: Had there been differences in the interest rates over the years?

Mr. FORSYTH: Yes; there certainly have been over a long period of years. I could not give you a specific answer to it. There was a time previous to my coming into the industry when there was actually compound interest collected on farm implement debts.

Mr. KORCHINSKI: How many years back would we have to go in order to establish the fact that there was an eleven per cent interest rate charged.

Mr. FORSYTH: I am afraid I could not answer the questions specifically. I do not think I could even answer it generally. I would believe that the rate—this eleven per cent rate—to the best of my knowledge might be slightly lower than what was the pattern. I think it might be closer to a twelve per cent figure.

Mr. KORCHINSKI: Could we say that in the 1950's eleven per cent was the rate commonly charged.

Mr. FORSYTH: I could not sincerely answer the question. I am not that accurate in respect of the figures.

Mr. KORCHINSKI: There is another question so far as interest is concerned. It seems to be that some of the other companies operate at a rate lower than that. Would it be fair to say they are taking a loss on this, or would you say you could possibly operate at a lower rate of interest than you are at the present?

Mr. EMMERT: May I answer that. I would have to question the accuracy of the information you have about the lower rates.

Mr. KORCHINSKI: If I may be permitted to introduce this, it seems to me that some of the other companies list interest rates as low as six per cent. This is the information as it was presented to me. It may not be accurate, but I seem to think there are interests rates lower than eleven per cent. Could you possibly operate at a rate lower than eleven per cent yourself.

Mr. FORSYTH: Mr. Korchinski, I think that the statements to which you are referring are in relation to these people who charge you half of one per

cent per month and where there are reductions made throughout the year in the total indebtedness. If you took the trouble to calculate that out in simple interest, it would come out to the figure Mr. Snelgrove gave you and you would find it substantially higher than 11.8.

Mr. KORCHINSKI: Does the farmer know what interest he is paying when he buys through you?

Mr. EMMERT: He certainly does?

Mr. KORCHINSKI: Would you have a form which would be available for illustration?

Mr. EMMERT: Let me read what the farmer sees. This is the document he signs: cash price, sales price, freight and handling, total cash price—whatever bargain the farmer has struck—cash deposit, the trade value, total cash in trade, the deferred balance—this is what he will pay interest on—financing or time payment charges delineated in dollars, insurance charges, registration fees, other charges if any, total time payment balance, aggregate contract price. We spent a long time devising this form so that we would be sure our customers knew exactly what they were signing. I think I can say it is written in clear English.

Mr. KORCHINSKI: But there is no reference to interest?

Mr. EMMERT: The interest is set forth in terms of dollars.

Mr. KORCHINSKI: But it is not stated in terms of rate.

Mr. EMMERT: You are speaking for the record.

Mr. KORCHINSKI: I wanted to get that established.

Mr. SNELGROVE: Mr. Chairman and Mr. Emmert, I will go back to your remarks, sir, as to this apparent six per cent rate of interest to which you referred. Do you know whether or not this interest rate included insurance coverage?

Mr. KORCHINSKI: It probably did not.

Mr. SNELGROVE: Do you know the maximum of time the loan could be established for? These all are relative factors. Secondly, this form—the conditional sales agreement—which the retail customer signs was taken primarily from the format of our American forms. You may know that in most of the states in the United States they have far more stringent retail instalment sales laws than we have. The only instalment credit act in Canada to my knowledge is the one in Alberta, the Credit and Loan Agreement Act. From that act we have taken what is required from the province of Alberta and have incorporated those requirements in this form. As I said before the delineation of the various facets of this transaction are taken from American formats which require the divulging of much more information than do the laws of Canada or any province. So here the Canadian farmer and consumer is obtaining the benefits of the divulging of more information than would normally be the case if we were not a North American company in concept.

The CHAIRMAN: Your chairman would like to interject at this time. I have endeavoured to give you wide range on the general statement. I have taken this opportunity to do so, because I know many of you find it difficult to be in the committee all the time it is proceeding. There are other duties which you feel necessary to engage in. I am wondering now if the committee would agree that we have reached the stage where we should go to appendix 1, sales, prices and financial aspects and profits. The discussion this afternoon has ranged pretty well around that. If we stay strictly to the context of that, then we could go to B. C. and D. in an attempt to finish up the brief. Would the committee be agreeable?

Mr. KORCHINSKI: I still have another question on that.

The CHAIRMAN: On the same question?

Mr. MUIR (*Lisgar*): I have just one short question which would take a short answer. It is on page 12.

Mr. KORCHINSKI: Can I ask one more question on this financing? It could be answered quickly or it could not be answered. The question is: do you have information which would lead you to believe that in all cases where machinery is being financed through your finance arrangements, that these people have tried to obtain a farm improvement loan or that they have a loan already and that perhaps they have gone to their limit. Are you satisfied that this is happening?

Mr. EMMERT: Mr. Korchinski, I think your question really in the first instance was: do we have information that will allow us to answer that question. We do not have. We do not question the prospective customer as to whether he has attempted to obtain an F.I.L.A. loan; we do not question him whether he has attempted to obtain a private loan. We assume that when he asks us for the service provided here, that that is exactly what he wants.

Mr. KORCHINSKI: It seems to me that sometimes some people might think that it is difficult to obtain a farm improvement loan—and this is my primary concern here.

Mr. NASSERDEN: Mr. Chairman, I believe yesterday Mr. Emmert indicated that he thought the reason this business was necessary was that people either had full use of the farm improvement loan or were unable to make full use of it because they were not farmers; that they had another occupation. I gathered that from your remarks, or it might have been one of the gentlemen over there who said that.

Mr. EMMERT: That was actually Mr. Forsyth who spoke on the subject.

Mr. MUIR (*Lisgar*): Mr. Chairman, there is a question I had hoped to have answered on page 12. It applies to costs. I note that on page 12 you say that since 1947 steel is up by 88 per cent and the hourly labour rates have risen by 117 per cent. Machinery is up 101 per cent. I was wondering how you arrived at these figures and what statistics you used for these particular figures.

Mr. EMMERT: The statistics you refer to, I suggest, are quite clear. We had an average hourly rate at the base rate in 1947; we have an average hourly rate now and the difference is calculable. We had steel referred, if you will recall, to rolling mill steel products which is by far our largest usage; and there again we had a price per ton of steel. Today we had a price per ton of steel of equivalent material. So again it is calculable.

Mr. MUIR (*Lisgar*): And the machinery costs?

Mr. EMMERT: The machinery cost is the relationship of our recovery from our dealer as opposed to recovery now on an average basis.

Mr. MUIR (*Lisgar*): In other words, these are based entirely on figures within the company?

Mr. EMMERT: I do not think that is quite true.

Mr. DENTON: I refer you to appendix F of exhibit E. I think you will see the data that we used in that appendix.

Mr. MUIR (*Lisgar*): I was just wondering—and this is the last part of my question—if these costs had been applied by the dominion bureau of statistics?

Mr. EMMERT: Looking at the exhibit, Mr. Muir, the average hourly earnings are Massey-Ferguson figures; rolling mill products is a wholesale price index which is D.B.S.

Mr. MUIR (*Lisgar*): The only statistic missing here, or that I do not see, is the one that mentions the cost of machinery.

Mr. EMMERT: Mr. Kingsmill, from where was that derived?

Mr. KINGSMILL: That is the D.B.S. farm machinery price index information.

Mr. GUNDLOCK: I wanted to ask, Mr. Chairman, before we move on, if I might be in order to repeat certain questions I asked yesterday and which I did not feel were answered. Will I be able to ask them?

The CHAIRMAN: I think, if the members are agreeable, we will endeavour to confine questions to section B, appendix 1.

Mr. HORNER (*Acadia*): Transportation. I have one question on page 1.

Mr. GUNDLOCK: I also have one.

Mr. DANFORTH: My question is definitely on B, and it has to do with the prices and the way the prices are established with sales outlets. From reading section B is it true, assuming in section B that the policy of the company is to have a definite recovery price from your retail outlets, which is a price they pay to the company for the machines, is that the policy of the company? In other words, in the distribution of your machinery you sell your machinery to the dealers and they in turn sell them to the farmer.

Mr. EMMERT: Our policy, Mr. Danforth, is to sell to our dealer, the retail outlets, not only here in Canada but in the United States. We also maintain a small number of company-owned retail outlets where we have been unable to find dealers, and we expect to receive from those retail outlets an amount of money which is known to them at the time they buy the product.

Mr. DANFORTH: Is it a company established price?

Mr. EMMERT: The company published and established price.

Mr. DANFORTH: I have another question—a series of short questions—all based on this.

My second question will be: is there a difference in the recovery prices to your outlets handling varied amounts of equipment? In other words, if one outlet would handle 200 units, would the recovery price be different per unit than an outlet handling say 10 units?

Mr. EMMERT: Mr. Danforth, I think if you do not mind, we have to change your question to dollars rather than units.

Mr. DANFORTH: Using any yardstick.

Mr. EMMERT: The answer is there would be a different net recovery to the company from dealers of varying sizes. We have a standard base price. Then we have, in keeping with many other manufacturers, in accordance with the laws of Canada, a dealer bonus system which is based on volume. We also have a dealer bonus system based on performance—that is to say, if his accounts are up to date at a certain time. After all of those deductions, we get what is left.

Mr. DANFORTH: Could they be called additional discounts on recovered price?

Mr. EMMERT: We would term them that, Mr. Danforth, because they are actually paid as bonuses for either volume or performance.

Mr. DANFORTH: In order to clarify this: in other words then, the dealer pays the standard or established recovery price, and at a later date he is reimbursed on a bonus basis.

Mr. EMMERT: Based on bonus and performance.

Mr. DANFORTH: He could conceivably obtain machinery at a different rate than another established outlet using the same machines?

Mr. EMMERT: That is conceivable.

Mr. DANFORTH: In effect, does that mean that two sales outlets could then have the same machine offered for sale at two different prices?

Mr. EMMERT: Mr. Danforth, that could be true even if neither of them earned any bonus.

Mr. DANFORTH: Yes, but it could conceivably mean, under that or any other system, two sales outlets handling Massey-Ferguson machinery have two different prices.

Mr. EMMERT: I cannot answer that question because it is a retail question. If I may rephrase it, it is possible that two outlets would have a different net cost.

Mr. DANFORTH: I agree to that, but what I want to establish is whether it is not possible, under your system of dealerships, for two dealers in an adjacent area to have two different retail prices for the same machine?

Mr. EMMERT: I had said, Mr. Danforth, that that is possible irrespective of any performance bonus. It depends on the dealer circumstances.

Mr. DANFORTH: I am not relating that to the bonus. What I want to know, sir, is to what degree and whether the company can police this?

Mr. EMMERT: The laws of Canada allow us to establish a suggested maximum retail price. The laws are quite precise that we may not establish, except within those limits, any price that our dealers may wish to charge.

Mr. DANFORTH: Mr. Emmert, to make it easier for you, may I rephrase my question in another way? Were I a dealer and charging what you as a company considered an excess price which might be working to the detriment of the company itself, what, if any, action could you take if I had a dealership?

Mr. EMMERT: Under the laws or within the law and under our franchise agreement with the dealer, we could take disciplinary action at our discretion up to and including cancellation of the franchise.

Mr. DANFORTH: In other words, by the control of the franchise you can, in effect, police any, what you consider, infractions of pricing to the farmer?

Mr. EMMERT: Only to the degree that we could demonstrate and prove that the dealer exceeded the suggested maximum retail. If we had a suggested maximum dealer price on a tiller of \$100 and the dealer extracted \$150 on a cash basis, that would be a clear infraction of our right. We could then take whatever disciplinary action it seemed wise to take.

Mr. DANFORTH: To get back to this other question on this bonus basis. If I were in a position to have a large agency and handled a terrific volume of business—which can only conceivably be held in a thickly populated area of small farms—I would be in a better position to give a better price to the farmer than perhaps a competitor in a less populated area?

Mr. EMMERT: Your ability to give a better price would be a combination of what you paid us, plus your cost of doing business. I think it is a truism in this business as well as other similar businesses, that the larger the outlet, the more fixed expense they have to absorb and the more costly their operation. Certainly the least expensive operation in respect to fixed expenses and overhead and labour is the single man operation. There is no question about that. The prices that you might charge would depend on those two factors, the cost of doing business as a retailer plus what you paid?

Mr. DANFORTH: But, so far as the Massey-Ferguson company is concerned, I would be in a position to have a greater cushion, or reserve, on which to act?

Mr. EMMERT: You have the possibility, if you achieve your volume objectives and live up to your performance expectations, of obtaining a lower net cost on the goods you bought from us. Whether you can translate that into lower prices depends on your policy of doing business.

Mr. DANFORTH: Is it not conceivable that I, as a wholesale importer, could import 135 tractors from Great Britain?

Mr. EMMERT: I know of nothing to prevent you if you become an entrepreneur in buying in Great Britain, but not from our company in Great Britain because we have a franchise dealer system there. Of course, you could buy by whatever means available to you and import into Canada.

Mr. DANFORTH: As a wholesaler?

Mr. EMMERT: And then sell the tractors for whatever prices you wanted. We cannot prevent you from doing that.

Mr. DANFORTH: In your dealerships in North America and in Canada, are there any dealers who act both as importers and retailers, who are in a position to tax a double commission?

Mr. EMMERT: Would there be any dealers who act as both importers and retailers?

Mr. DANFORTH: In other words, who act as both wholesalers and retailers?

Mr. EMMERT: Not in our organization, but I think you used the word "conceivable". There could conceivably be such a dealer but none of them do this, to the best of my knowledge.

Mr. DANFORTH: Would such a dealer be in a position to charge a double commission?

Mr. EMMERT: I would not be in a position to answer that without knowing what he paid for the tractors in Great Britain and what pay arrangements he had over there.

Mr. DANFORTH: But it is conceivable that a wholesale importer could act on a commission if he had a retail outlet? He could have a commission there as well?

Mr. EMMERT: I could not answer the question in the context of "conceivable", because I can conceive almost anything. Let me put it this way. It is not done as a practical thing because it is not economic. Buying arrangements in Europe are very difficult to come by on advantageous terms which might allow a man to do this.

Later on I am going to deal with distributors and there are a lot of them in this country. Let me start the list with a tractor named Hanomag from Germany. They do exactly what you are proposing; they import and they retail. I do not know what price they pay in Germany and I do not know if they extract a double commission. That is their business but the point I want to make to the committee is that firms who do business in that way are just as much competitors of ours as those who have capital facilities in this country and whatever information the committee wishes to obtain in relation to its inquiry into the prices of farm equipment must, I suggest, in fairness be obtained from firms like this who sell to customers and not just from the manufacturers. I think that answers your question. You would want to have a representative of Hanomag whom I recommend to you as an importer retailer to provide the answer you want.

Mr. DANFORTH: May I carry on a little further in order to clarify this. You have talked about importing tractors from Europe, but could I import 120 tractors from your plant in Detroit? Could I import 100 Massey-Ferguson tractors from Detroit and retail them here? Could I do that on double commission?

Mr. EMMERT: If we knew that was what you wanted to do, if we knew that was what you had in mind, we would never provide you with a franchise to do business in Canada. You would not be a franchised Massey-Ferguson dealer but, as a private individual, there would be nothing to prevent you bringing in 100 Massey-Ferguson tractors, but you would not be able to buy them from our company in the United States on franchised dealer terms.

Mr. DANFORTH: In other words, I could not buy them from your company on a recovery price unless I were a dealer?

Mr. EMMERT: That is correct.

The CHAIRMAN: Mr. Gundlock you wished to ask a question.

Mr. GUNDLOCK: I shall pass at this stage.

Mr. RAPP: Mr. Chairman, it is stated in the brief—

Mr. PETERS: Before we pass from this point, are there any other companies of the same type and in the same position as Hanemag? I never heard of the company before. David Brown is not a well known company and yet they are selling a lot of tractors in my part of the country. They are new and only have an agency in the last few months.

Mr. EMMERT: Let me reply to that in this way—to the best of my knowledge the companies who are competing for the custom of the farmers and who have manufacturing facilities of any size in Canada are Massey-Ferguson, International Harvester, Cockshutt, John Deere—to a limited degree—Otaco, the George White company and Versatile in Winnipeg. I believe Hydraulic Engineers is the right title now. Then there is McKee Industries. That may not be a complete list but it is a reasonable one.

I should now like to ask Mr. Forsyth, who is face to face every day in the marketplace with competition from all sources, to list for you to the best of his ability those people who compete with us in the Canadian market but who do not have any manufacturing facilities. In other words, they are distributors of all kinds of equipment.

Mr. FORSYTH: Mr. Chairman, let me start with internal combustion tractors but, before I name any of these, I wish to state that I am not entirely certain as to their exact structure and methods of doing business in Canada. However, in the case of tractors, there are David Brown, Nuffield, Renault, Porchet, Hanemag has been mentioned and Oliver import a form of David Brown tractors under their own name and I think Allis-Chalmers bring in one too. We should also have to include J.J.K., Minie-Moline. In fact, I should have an index before me to answer this question. These are major tractors. Oh, I forgot the Fordham. I do not know if they have manufacturing facilities in Canada. There are some other major competitors.

Let us look at some other fields, such as the New Holland, which is a pretty large industry, of course. It has a short line of principally hay tools. Then there is the New Idea, and Gale, also Blundel, and the Caldwell mowers. That will give you a sample of types there.

I want to go back to the European side of the picture for a moment. You have numerous forms of implements being imported, such as tillage tools and specific types of cultivation tools. You have very important items to the farmers' dollars such as barn cleaners. They represent a large capital investment to the individual farmer. Then you have dairy equipment of various types. You may think immediately of firms such as Surge and deLaval. I think that deLaval has a manufacturing plant around Peterborough. That is one I missed on my list.

You have items such as grain elevators which make up a very substantial amount of dollars in farm purchases.

Now, few if any in this list of names, with the exception of deLaval, have manufacturing facilities in Canada. However, most of you men will know of one or two more than we have not mentioned.

There are different methods of importing these tractors. I did not mention the Fiat, of which Cockshutt Plow are the sole distributors in Canada. That is another tractor which is a competitor in Canada. They are doing business through a Canadian manufacturer, to the best of my knowledge.

I do not think I could quickly give you any more significant answers than the ones I have covered. Perhaps I should mention for the benefit of the western members, that there is one if not two models of combines imported from Klaus. I am not sure if Ransome has imported a few in here. This is all outside the confines of Canadian manufacturers. Have I answered the question?

Mr. EMMERT: Yes.

Mr. RAPP: It is stated here in the brief that over a period of 11 years since 1949 the favourable net balance from the sale of Massey-Ferguson machines in the United States resulted in a profit of \$460 million.

Now, these Massey-Ferguson machines that were sold in the United States—were they wholly manufactured here in Canada from Canadian materials and assembled here in Canada by Canadian people, or were these parts mostly brought in from other countries and more or less assembled here in Canada. Could you tell us about that?

Mr. EMMERT: I am delighted to reply to that question. The \$490 million we referred to would be composed of practically 100 per cent Canadian content in terms of both materials and labour. The only variance would be during the period of shortage of steel in North America when we had to scramble for steel in whatever market we could buy it. But that would be in insignificant portion.

The products that would be included in terms of volume to standing order, would be, certainly, combines manufactured completely in Canada, except for the engines, which are imported from the Chrysler Corporation. They do not make them in Canada.

There may be a few accessories on the combines in that same class. Balers would be the next important thing manufactured only in Canada, again except for the engines on the power driven models. The baler tools are manufactured in Brantford and Woodstock; rakes and mowers.

The specific answer to your question concerning \$490 million would be based almost entirely on purely Canadian content.

Mr. RAPP: This is over a period of 11 years. Is the trend increasing, or, in other words, will the balance become more favourable as times goes on? Will the sales increase to the United States, or is it only over a period of 11 years? I would be very much interested to know what the trend is at the present time, 1960-61.

Mr. EMMERT: May I refer you to page three of section B.

The table on page three indicates that for 1949 we manufactured \$81 million worth of goods in Canada, of which \$36.6 million were sold in the United States.

In 1960 we manufactured \$92 million worth in Canada, of which \$58 million worth was sold in the United States.

Our judgment on your question would be that the proportion of Canadian manufactured goods sold in the United States would increase, because we are in a relatively weaker market position in the states than in Canada. The United States, as I pointed out yesterday, is a market eight times larger than Canada.

Our major endeavour in this North American unit that I am responsible for is to maintain and improve our position in Canada marketwise, certainly, and it is of vital importance, the improvement of our market position in the United States.

Mr. RAPP: That is very noble. I appreciate it.

Mr. KINDT: May I ask a supplementary question: Have you any figures on the net position of the Massey-Ferguson company on sales, or should I say on your manufactured farm equipment which flows back and forth across the

line? What I am interested in finding out is the net position. We have the \$490 million figure of which you have said a certain percentage was manufactured in Canada and shipped to the United States.

How much came in from the United States? What is the net position with respect to the movement of both machines and parts?

Mr. EMMERT: Mr. Kindt, the \$490 million is a net figure that has been arrived at by the deductive process. Again, on page three for the years 1949 and 1960 you will find that of \$47.7 million of sales in Canada in that year, \$19.9 million were of United States manufacture, and \$27.8 million were of Canadian manufacture.

In 1960 out of sales of \$50 million, \$31 million were manufactured in Canada, and \$19 million were manufactured in the United States. But the \$490 million is a net figure. I am sorry, I mean the \$460 million. We are getting confused. \$490 million was last year's sales.

Mr. KINDT: Would that figure remain about the same if it were brought up to date, let us say, for the year 1960?

Mr. EMMERT: The 1960 figure is shown on the table on page three, Mr. Kindt. The figure for 1960 indicates that the dealer imports from the United States remained fairly constant as related to 1949. The improvement in our Canadian sales came wholly from Canadian manufacturers.

Mr. GUNDLOCK: Mr. Chairman, I wonder if Mr. Emmert would answer a question I asked yesterday. Simply what I wanted was component costs—if you like to use that word—the actual price contained and possibly in the manner that most of us are used to seeing prices across the country, for instance, at budget times, which is high in certain costs. I recall the conversation yesterday and in so much as they operate a world company, I would prefer, as a matter of fact, to have from the Canadian company or the American company or any other company, as a matter of fact, for reasons of comparison and also—and I want to make this clear, I do not want to split any hairs on this at all, good approximate figures would be all I would like to have, and possibly in addition to them, if it is not too much trouble, maybe the same thing for a year or two previous, maybe back as far as ten years, five years, and now, to show any possible trends in any of these certain figures for components of the final price.

Mr. EMMERT: Is this the question?

Mr. GUNDLOCK: Yes.

Mr. EMMERT: I must say that I appreciate Mr. Gundlock's recitation of the conversation yesterday, but I am not really understanding the question.

Mr. GUNDLOCK: The question simply is this: could this committee have the components, or whatever you want to call them, that the price itself consists of? I could list transportation, capital assets, steel, wages, salaries, profit and so on down the line. I would like to see that broken down into percentages actually of the price, and in one or two instances, possibly three periods, so that we may see a possible trend in any of these figures.

Mr. EMMERT: Mr. Chairman and Mr. Gundlock, there was a lot of time spent on this general subject yesterday which I have classified as a prospective or suggested investigation into the entire internal cost structure of our company. I stated yesterday as flatly as I could that if we were forced to reveal that sort of information it would be to the advantage of our competitors. I state that again today. I indicated to you yesterday that in accordance with the terms of reference that we received, the letter which we received, we had no inkling that the committee wished to investigate the internal affairs of Massey-Ferguson. I also indicated to you yesterday that I was confused as to what the committee really wanted. Incidentally, I would not want you

to think, Mr. Chairman, that I am speaking entirely from yesterday's memory. I had the opportunity this morning to read the entire transcript, and at this point I should like to commend your staff, Mr. Chairman, on an excellent job. I found only one significant variation—from what I said, at any rate. It had to do with the dividend rate of the company which appeared in the transcript as a 40 per cent per annum dividend. Our shareholders would be very happy if that were the case.

I have a suggestion in accordance with your resolution—which has not yet been delivered to us, and which we would want a chance to study and consider if we receive it. In the light of that resolution, I would suggest that the chairman appoint the Department of Agriculture economists to define precisely what is being requested by the committee. I am sorry that from the definitions which have been given I cannot even begin to understand how we might provide the information, if the information were available. I hope, Mr. Chairman and Mr. Gundlock, that I have made myself clear.

I am more regretful than I could possibly express that we have not been able to provide the committee with information that they sought on this particular matter. I do not know if we can do so even, after it is precisely defined. I would be inclined to feel that a precise definition is of the utmost importance. I would be inclined to feel that if the committee chose to request that kind of internal information from any one company they should be prepared to assure that company that all other purveyors of farm equipment in Canada would be required to submit exactly the same information. I am not speaking of those who manufacture in Canada. If it is limited to those who manufacture in Canada, what we are in effect doing is penalizing those who do so. There is a suggestion, Mr. Chairman, for your consideration.

Mr. GUNDLOCK: Mr. Chairman, I am sorry if I have misunderstood things, but it was my understanding that the road blocks had been removed that were in the way of the answers to these questions. I would like to reiterate what I said yesterday, and that simply is this. I fail to see how we can investigate the price of farm machinery without having components of that price. Personally, if we cannot do that, I think we are wasting our time. If I might be allowed to do so, Mr. Chairman, might I ask the question of our economist whether or not he thinks that is a reasonable approach or attitude to take.

The CHAIRMAN: What I would suggest, Mr. Gundlock, is this. I have a suggestion here. It probably could be dealt with by a subcommittee. I would hope that the committee would agree to proceed with the questioning of witnesses in the same manner as was done before that question again arose. We dealt with that pretty thoroughly. I endeavoured to explain the duties of the committee before we started today, as to what duties were assigned to us, the powers we had, if necessary. I hope that could be discussed at a later date by a subcommittee, and then, if necessary, by the general committee.

Mr. HORNER (*Acadia*): I want to rise on a point of order. That question was dealt with fully. There was a motion put and it was passed. Now, if the committee wants to put another motion to get all these machine companies back, off the hook, so that they can hand into this committee any generalized statement, one can prepare a report which is nothing in common farmers' language but a bunch of b.s.; but if we want to get down to the meat of the problem, we have to take the costs analysis taken and prepared by every machine company that puts its product on the market. The motion which has been passed will do that. I do not think this should go to any other committee that could suggest any change. If the committee decides they want this information and if Massey-Harris, John Deere or Cockshutt do not want to give it, we can deal with that situation when it arises.

The CHAIRMAN: It was the definition in Mr. Emmert's suggestion here, that we ask our Department of Agriculture officials to define our order of reference. That is what I am referring to in the motion dealt with yesterday.

Mr. NASSERDEN: I think Mr. Emmert had a very good suggestion, that our economist might outline these things we might be interested in so far as the cost and prices of farm machinery are concerned. I do not think we can pursue it at the present time because it is obvious they have not got that information here and there is a lot of other information we would like to have. Maybe we can follow along that other line and have them back at a later date.

Mr. GUNDLOCK: Mr. Chairman, just one more word. Mr. Emmert took a stand yesterday on the subject of cost analysis. I want to make it perfectly clear that I only want the components of the price. Maybe I am not putting that in good language or using good grammar but I want to make perfectly clear, Mr. Chairman, what it is that I want. I am not asking for a cost analysis at all—I am asking for what I call components. Might I ask the economist here if I am using the proper wording—components of farm machinery price?

The CHAIRMAN: Is it the wish of the committee that Dr. Haase be heard on that?

Dr. HAASE: I would not say anything else at this stage, except that if it is your wish that such a statement be prepared we would want to have an opportunity to learn what the wish of the committee was.

Mr. GUNDLOCK: That is what I am trying to explain.

Mr. PETERS: I would suggest that Massey-Ferguson were not prepared to give us this information yesterday because probably their understanding and our communication with them did not indicate that this particular could be asked for. It is a particular that has been given in the United States and in Canada in previous meetings, and I think our resolutions will obtain it from Massey-Ferguson. I do not really think there is any point in rehashing it and trying to get it out of them today, because I do not think it is fair to ask them to do this on the basis that yesterday they learned of our intent and today we are asking the same question. Also, Mr. Chairman, I think a very valid point has been raised in respect to the fact that we may have been lax in the committee—and I am on the steering committee and therefore partly responsible for this—that if we want the component price of a tractor, for instance, then we are being unfair if we only ask three or four of the companies that are manufacturing that particular type of tractor. I think we are going to have to apply this to all the companies manufacturing that kind of a tractor. If it is a manure spreader, we want the price for it and we are going to have to use the list that was given to us today and get this type of information from all the companies. It is also very clear, Mr. Chairman, that every member of the committee knows that if this committee is going to produce the results that we hope for, then we are going to have to have these particulars Mr. Gundlock is asking for broken down to dollars and cents so that the farmer and we can understand it. The only stipulation, I think, that has been valid has been the one made by the vice-president in relation not only to his company to supply this information but that all the companies in similar manufacturing positions should supply this information. The committee will then have to give consideration to those who import on a manufacturing basis. I think I would suggest that this part of it should be referred to the steering committee for action in summoning these companies to provide this type of information.

Mr. EMMERT: Bearing on what Mr. Peters has just said, and I am only reciting this so that the committee will understand that if they pursue the resolution they passed in respect of all the companies who sell goods in Canada—and that would be my hope, if you pursue it, that the only fair

thing would be to do so,—if you pursue that course, then it seems to me that your advisers are going to have to sell you that not only must a precise definition be arrived at, but that then those definitions will have to be compromised as between companies, because as we explained yesterday, each company has a different method of internal organization, internal structure and internal cost accounting.

So at this point you are not only seeking advice from the economists as to the component definition of the information you want, but I think you are in a position of appointing a staff of auditors to arrive at a common definition as between companies. There has been a great deal of reference made to the book that Mr. Horner has which relates to 1937. The year 1937 was about a quarter of a century ago. Many things have changed since then, but even in those simple days—the complication of the information in that book on the part of the government and the companies, and my memory says there were auditors appointed by the government to obtain this information—even in those simple days this was a matter of months. It is conceivable that the compilation by the companies, after all the definitions and the compromises had been made and agreed to, would take a year to a year and a half at the end of which, I must repeat at the risk of again incurring the wrath of the committee, the information you would have would not be meaningful in the context in which you hope to use it.

Mr. PETERS: Mr. Chairman, the vice-president is very well trained. Would he give us an indication—I think all in this committee agree on one thing, and that is that we want to know about a tractor and we want to know how much of its overhead and how much of its labour costs and material costs and profit on the manufacturing level are. We are also interested in the distribution, the profit and the costs that are involved, and we will get that some place else. We cannot expect you to provide it. But I think that generally what the farmer wants, anywhere across the country, is to know this. Could the vice-president tell us any other way than through the type of committee report that was arrived at in 1937, how this could be arrived at? I am aware of the fact—I am not an economist and do not understand it very well—that you can as a company play around if you are only dealing with the committee. You can play around with such things as a design and the amount of money that goes into it and the percentage of development, and how much you spend for testing, and how much is spent for many of the things that are pretty intangible in some cases. Can the vice-president suggest any other way that we can get this type of information? I think the committee is going to serve no useful purpose unless it can get this type of information. We are all agreed we are going to get this type of information even if we have to use very strong methods of getting it. I know the vice-president is much more familiar with the accounting set-up and the arrangements that could be used, and maybe he would make some suggestion as to how we could arrive at what we want to without using this process?

Mr. EMMERT: Mr. Peters, one of my principal jobs is the containment of costs. I really have two jobs after the selection of people: one is the containment of costs and the other, equally important, is to conduct our company's affairs so that we have the greatest possible penetration in the markets we serve. These are the two primary management jobs. I cannot determine to my satisfaction the kind of information that you are now seeking from us even for my own personal use. It is simply not possible to put the components of cost as they have been referred to here on a comparative basis over a period of time. Too many things change. First of all, and I alluded to this very briefly yesterday, for various reasons we either buy more or less of a machine outside our own factories. That in itself has the result—

Mr. NASSERDEN: That is one of the things we want to know—how much you buy outside.

Mr. EMMERT: May I continue, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. EMMERT: This in itself is very significant—the amount of labour that we use in our own facilities, secondly the absolute amount of production we are privileged to produce each year very significantly and which has a marked effect on the relationship of labour to the sales dollar. These are not constant things. I attempted to state yesterday as clearly as I could that there is relatively nothing fixed in this business except that if you do not make money you are going to go out of business.

Mr. HORNER (*Acadia*): The whole discussion is absolutely out of order.

Mr. KORCHINSKI: I would just like to state here this point because I spent as much time as anyone else here yesterday trying to ferret this type of information from Mr. Emmert. I was guided by the fact that the statement on page 5 said that our biggest cost elements are steel, labour and transportation. I assume that, steel, labour and transportation were the guiding factor in establishing price. He is right when he says you are empowered to inquire into the prices of machinery. We all assume here in this committee that the cost of steel, labour and transportation is the guiding factor in establishing the price. I think that is where we are perhaps wrong, and I think—if I may be permitted a few questions—I hope to be able to establish the fact that this is not the guiding factor in establishing any price. If Mr. Emmert would perhaps admit at the moment that this is not a factor that guides him in establishing a price, then it will save us a lot of trouble. Would you make a statement on that, Mr. Emmert?

Mr. EMMERT: I certainly would, Mr. Korchinski. As a matter of fact I had a lot to say on the other question before I was interrupted. On the one hand, we stated in our brief that the emphasis we placed on demand in pricing our products is no denial of the importance of cost in our business. This importance is in terms of the internal adjusting of our operations. The costs must be met over a period of years.

We stated in our brief that our prices are largely the result of the conditions in the market place. Someone attempted to have me say that our prices were set by our competitors. We did not say that and we deny it. We have not said in this brief, nor before the committee, that the cost of doing business, including labour, material and all other elements of cost, did not establish the price of farm machinery. As an industry, it cannot help but do so. My brief pertains to Massey-Ferguson, but, as an industry, Mr. Korchinski, the cost certainly would be, to a large measure, the price. Now, we are in the unfortunate position, for one reason or another, of incurring higher costs than some of our competitors. Therefore, we do not make as much money. We are trying to overcome this deplorable situation, and we are doing our level best to overcome it.

Have I answered your question?

Mr. KORCHINSKI: Well, are you finished?

Mr. EMMERT: I am, at this point.

The CHAIRMAN: Gentlemen, I think probably this discussion has reached the point where the chairman should rule on it. At this time I think we should proceed to the questioning of our witnesses as it pertained to 15 or 20 minutes ago. The next member on my list is Mr. Horner.

Mr. HORNER (*Acadia*): Mr. Chairman, my question dealt with—

The CHAIRMAN: Before you commence, Mr. Horner, may I say that we have been sitting here now since two-thirty. It is now almost a quarter to five and,

if the committee is not able to finish by five o'clock, would it be agreeable that we adjourn at that time and come back at 7.30 this evening?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Then, that will be fine. We will adjourn at 5 o'clock.

Mr. HORNER (*Acadia*): Mr. Chairman, my question stems from page 1 of section B, regarding sales. It states that 12½ per cent of Massey-Ferguson sales were in Canada. I realize, from their financial statement, that 45 per cent of their sales are in tractors. Does this hold true of Canadian sales, relatively speaking?

Mr. EMMERT: I do not think so, Mr. Horner. We were looking at the exhibit that Mr. Kindt referred to a little while ago, and it showed there, as I recall it, that \$19 million of our sales in Canada were from the United States, and that would be tractors, plus those we import from the United Kingdom, and, the balance of the sales, \$31-odd million were in Canadian manufacture, which would exclude tractors. I think the evidence from that table would indicate that the ratio in Canada is probably not that high.

Mr. HORNER (*Acadia*): About one-quarter.

Mr. EMMERT: Have you any idea on that, Bill?

Mr. FORSYTH: I regret, Mr. Emmert, to say that I cannot even give you an estimated figure, although I must admit I should be able to. It should be, I would think, slightly less than 45 per cent, though, of the sales dollar.

Mr. EMMERT: The Canadian market, because of the west, takes a greater preponderance of combines.

Mr. HORNER (*Acadia*): That is what I wanted to know. Another question: When did Massey-Ferguson buy out Standard Tractor in Great Britain?

Mr. EMMERT: The arrangement to purchase Standard Motors was consummated about mid-summer, 1959.

Mr. HORNER (*Acadia*): I have a further question in connection with this same matter. Could you, through your figures, supply this information to us? You cannot do it now, but perhaps you could do it at a later date. I am going to admit quite frankly what I am getting at. I am trying to determine, for my own sake, as well as others, what percentage of the Canadian market Massey-Ferguson captures. I know, last year, there were 26,000 tractors sold in Canada. What is the number of tractors sold by Massey-Ferguson in Canada last year?

Mr. EMMERT: We would be delighted to give it to you.

Mr. FORSYTH: I am unable to give it to you to the unit.

Mr. HORNER (*Acadia*): It would be all right if you could give us an approximate figure at a later date.

Mr. FORSYTH: The exact figure can be given to you.

Mr. EMMERT: Let us define this. Do you seek information as to how many tractors we sold to our dealers, or how many tractors were sold to the retail customers?

Mr. HORNER (*Acadia*): It really does not matter to me. I will accept whatever figure you can produce the easiest.

Mr. EMMERT: But, I am going to produce a figure in relation to the one you quoted. What is that figure?

Mr. HORNER (*Acadia*): The number of retail tractor sales.

Mr. EMMERT: We will provide retail information.

Mr. HORNER (*Acadia*): I ask this, because I think that it is more and more evident that because of the number of machine companies listed a while ago, that the committee is aware of the exact position of the major companies that come before it.

I have a further question I would like to ask along the same line. When Massey-Ferguson took over Standard Tractors, was Standard Tractors then making the Massey-Ferguson tractors 95, or what they call the 95 now?

Mr. EMMERT: No. The Standard Motor facilities which Massey-Ferguson purchased were devoted exclusively to the model 35 and, to a limited degree, components for the model 65.

Mr. HORNER (*Acadia*): Then, just to clarify this a little further, could you tell me why, about two years ago, all of a sudden—and I think it was the G.B. Minneapolis line—the paint was switched from yellow to orange, and it became the Massey 95.

Mr. EMMERT: I can explain that very simply. Massey-Ferguson has not had time to develop in its own laboratories, and through its own research, a tractor in the horsepower span of the Minne-Mo to which you referred. We made an arrangement with Minneapolis-Moline to have them alter their tractor to a minor degree, to put our paint scheme on it, and to sell the tractor to us and we would then distribute it through our dealers in Canada. We were not able to make these same arrangements with Minneapolis-Moline for our United States market and, therefore, we made a similar arrangement with the Oliver Company for their large tractor.

Mr. HORNER (*Acadia*): This is quite interesting. I wanted to draw the committee's attention to this. The reason I asked that is because evidence has been given before the committee that competitive prices have a great deal to do with where machine companies set their prices. Now, in a sense, the big tractor is sold by two of the larger machinery companies in Canada. They are selling the same tractor and, I might add, for the committee's information, that they retail at almost the same price. I do not know what the base price is, as set by the machine company. This is an important point, and I think it bears out the fact that we should have perhaps broken down your figures on tractor sales between the 35, 65, 85 and 95. What I am trying to get at is this: Are market prices determined by a free fluctuation of demand and competitive prices?

Mr. EMMERT: May I reply?

Mr. HORNER (*Acadia*): Yes.

Mr. EMMERT: The economic facts on our distribution of this Massey-Ferguson 95 are really quite simple. We made the best possible purchase that we could with Minneapolis-Moline. I know perfectly well if we priced it substantially over the Minneapolis-Moline which they sell in Canada we might as well forget it. So the considerations of the established market price impinged on us at the top and what we had to pay for the tractor impinged on us at the bottom. The real benefit to Massey-Ferguson in offering this tractor to our customers is in respect of satisfying a need of our dealers in offering to their customers, who want a big tractor, a big tractor. The economic benefit of operating that way obviously is not very attractive. Otherwise many people would attempt to engage in the same thing. The only reason we made a deal with Oliver in the United States is for exactly the same reason, on behalf of our dealers in the Great Plains.

It follows that unless a dealer has a full line of products to offer his customers he is not going to warrant that customer's trade. The facts are all very simple. If you have in mind that Massey-Ferguson and Minneapolis-Moline enter into an arrangement whereby they will manufacture the big

tractor and we will manufacture the little ones—we sell their big one and they sell our little one—I can assure you the thought is not valid. Let me state further to the committee that for the last three and a half years we have been in the throes of developing a tractor with all of the Massey-Ferguson features on it which farmers have come to like and which would compete in this horsepower range. When we are successful in developing it, we will no longer have any need for the Minneapolis-Moline. They know this full well. The arrangement to which you are referring is not unusual. This year Ford marketed a combine which was built for them by Oliver. This is standard practice.

Mr. HORNER (*Acadia*): That may be true. I hope you will see fit to give me the figures on your tractor sales broken down so that we will know whether or not perhaps thirty-three per cent of the tractor sales are controlled or set by this one machine.

Mr. EMMERT: Once again the information you are asking me for is a very closely guarded competitive secret. Our competitors would be delighted to know how many 35's Mr. Forsyth was able to sell, also how many 55's, 65's and 85's. They would like to know this in the most intimate detail. We would like to know from our competitors. This information is known to only a handful of people in our company. I think it would be unfair of this committee to attempt to delve into competitive information.

Mr. HORNER (*Acadia*): Well, Mr. Chairman and Mr. Emmert, I have one further question along this same line. When you start talking about competitive reasons I suggest that the table which you have here, exhibit VIII, certainly gives the competitors some advantage in knowing what the cost to Massey-Ferguson would be on a Massey-Ferguson 35. It is \$1,864. If I were in the tractor business this to me would be a pretty competitive thing.

Mr. EMMERT: May I point out that this \$1,864 to which you refer is duplicated probably over ten thousand pieces of paper. We obtain this information on all of our competitive products by the simple expedient of going to any one of their dealers and pricing the products. This cannot in any way be considered as being a competitive piece of information. This is public knowledge if any one cares to go and seek it.

Mr. HORNER (*Acadia*): Here is a tractor which because of its size is in a class by itself, the Massey-Ferguson 95. It is one of the biggest tractors on the market. I think it is evident that the tractor now is being sold by two of the reasonably large sales distributing people in western Canada particularly and all across Canada. This tractor now is priced at a retail price at approximately the same level—in fact I would not be a bit surprised if they are within \$25 of one another. I have a very good knowledge of this because back in 1957 I nearly bought a GB Minneapolis 95. I priced it and considered it very very seriously. Instead, I will have you know, I bought a 555 Massey. Shortly after I purchased it Massey took over the GB line. I went in and asked what it was selling for—\$5,600 some odd. It was so close to what the Massey-Ferguson dealer had told me that it was not funny. I would suggest that there is very good information which this committee might have in determining whether or not there is a free flow of competition in setting the price levels. I do not know. Maybe this tractor in this series commands eighty per cent of the market. I do not think it does; but it might command eighty per cent of the market. If it did, then this tractor would set the price for that size of tractor. Therefore, I think it is very pertinent for the committee to know how many of these Massey-Ferguson machines were sold last year and we could ask the other companies who will appear before us how many of their tractors in the same class were sold.

Mr. EMMERT: The question has changed a little bit. In the first place I am delighted, and I am sure Mr. Forsyth is, to know that in the tractor class in which we have been competitive with the Minne-Mo tractor we are presumed to be getting so much of the business. That is fine; but I would like to call to your attention the fact that there are many other competitors in that particular class—the 4010, the new Deere has taken that power class by storm in the United States; then there is the 900 Case, and International Harvester would be very sad if they were left out of this particular class.

Mr. HORNER (*Acadia*): I agree.

Mr. EMMERT: And there are a number of others.

Mr. HORNER (*Acadia*): The Oliver.

Mr. EMMERT: Yes. What you really asked me was for competitive information.

Mr. HORNER (*Acadia*): I do not think it was.

Mr. EMMERT: What you later indicated you wanted was the number of Minneapolis-Moline tractors sold by them and by us in Canada, on the grounds that you would get the same information from the other people who sell similar tractors.

Mr. HORNER (*Acadia*): Yes.

Mr. EMMERT: We are quite prepared to tell you how many Minneapolis-Moline tractors we have sold in Canada. I am not prepared to break down for you our complete tractor sales.

Mr. HORNER (*Acadia*): That is fine.

The CHAIRMAN: We agreed to adjourn at 5 o'clock, but before we do Mr. Forsyth has a little additional information he wishes to give the committee.

Mr. SOUTHAM: There is one thing I would like to get on the record before we adjourn. We have been dealing in the brief with appendix I, and while this discussion has been going on I have been looking at the annual report and the financial statement of Massey-Ferguson. I find there is a lot of pertinent information in it relative to the discussion. I would like the permission of the committee to have this financial statement incorporated in the proceedings of this committee.

Mr. HORNER (*Acadia*): Agreed.

The CHAIRMAN: The committee is agreeable..

Mr. KORCHINSKI: Provided we are permitted to ask a few questions on this annual report.

The CHAIRMAN: Yes.

Mr. FORSYTH: Mr. Chairman, out of deference to the province of Quebec, when I was reciting the members who compete for the farm implement dollar in Canada I did not mention the Forano people in Quebec. There also are some smaller implement manufacturers in that province. The names of them escape me at the moment, but Forano is a respected member of the farm manufacturing community in Canada.

The CHAIRMAN: We will meet in this room at 7:30.

EVENING SITTING

TUESDAY, May 2, 1961.

The CHAIRMAN: Gentlemen, will you come to order. I have a few remarks to make at this time concerning our proceedings of this afternoon. Although Mr. Emmert this afternoon or yesterday heard the two resolutions which were passed by this committee yesterday, and his official asked for and obtained

copies of same, this afternoon in his evidence he stated: "if and when we are advised of these resolutions we will consider them."

I am now handing Mr. Emmert a letter signed by me which advises him of these resolutions.

I will ask Mr. Lyons to read a copy of this letter.

THE CLERK OF THE COMMITTEE: To Mr. T. J. Emmert, vice-president, Massey-Ferguson Limited.

Dear Mr. Emmert:

Yesterday, Monday, May 1, 1961, the standing committee on agriculture and colonization gave assent to two (2) resolutions, regarding machinery companies, in relation to the inquiry into farm machinery prices.

From the official minutes of proceedings, they read:

No. 1: Mr. Horner (Acadia), seconded by Mr. Gundlock, moved that this committee request all machinery companies appearing before this committee to supply by years, from 1954 to date, a cost breakdown of the material, wages, salaries, and distribution which go into the manufacture of such items as tractors, combines, manure spreaders and balers.

No. 2: Mr. Horner (Acadia), moved, seconded by Mr. Milligan, that all machinery companies appearing before this committee present figures for the years 1954 to date regarding numbers of employees in each of the following categories: administration, production and distribution and that they give aggregate amount of wages paid in each case.

These are passed to you for your information and guidance.

(sgd.) James A. McBain,
Chairman.

The CHAIRMAN: Mr. Emmert, I will pass this on to you.

This afternoon at adjournment we were discussing section B, and before adjournment I was about to recognize Mr. Southam. Have you some comments to make at this time?

Mr. SOUTHAM: Mr. Chairman, prior to adjourning I asked the permission of the committee to have incorporated in the proceedings the annual report and financial statement of Massey-Ferguson Company, and it is on the basis of some facts in this report that I wanted to base my next question. I am referring to section B, pricing and financial aspects. There is a statement here in which I am interested. We have had a discussion on it but I want to relate it to the statement that Massey-Ferguson's net income on world wide operations amounted to 2.7 per cent of each dollar of sales. In turning to the financial report I think there is some very valuable information as far as world wide operation is concerned. We could look at it for a moment. I would like to read some of these figures into the record. It relates to the financial review and sales on page 10 of the financial report. It is dealing in general with the sales in Canada, the United States, England, France and Germany.

Consolidated sales of \$490,413,988 in 1960 were 3 per cent higher than the previous record level of \$475,543,641 reached in 1959. While declines occurred in certain major markets—notably the United States and France—gains in other areas, coupled with a full year of Perkins groups sales, resulted in a net increase of \$14,870,347. Details of sales by territories are shown on page 22.

In the United States, some lessening in retail sales of farm machinery, with a consequent program of balancing the mix and levels of dealer inventories, resulted in a decline in wholesale sales of 10.9 per cent from 1959. In Canada, however, the market was buoyant, and sales to dealers increased 11.2 per cent.

Conditions in Australia were again favourable in 1960, and a gain of 23 per cent over 1959 was achieved.

In France, a decrease of 12 per cent from last year reflects another year of unsettled conditions in the agricultural industry and the lack of a full range of tractors to meet European market requirements—a situation which will markedly improve with the introduction of the new MF 825 tractor.

Excluding the effect of Perkins sales, 1960 sales in the United Kingdom decreased 21.8 per cent. Including sales of the Perkins group, a decrease of 5.4 per cent was recorded.

Total domestic and export sales of farm machinery and diesel engines from our operations in the United Kingdom increased by 14.7 per cent over last year, with export sales at record levels.

Sales in Germany increased 34.8 per cent over 1959 in a generally favourable economic climate.

I could read on, gentlemen, but that gives me a basis for my question. My question is this, Mr. Chairman: does this 2.7 per cent net income that you refer to on page 10 of the general statement give a true reflection as far as our inquiry is concerned, with profit by Massey-Ferguson in Canada? The point I am trying to make is whether Canada, according to the record here, is bearing a bigger load of the over-all general sales profits than they should? You could refer to the financial statement as far as the dividends declared by Massey-Ferguson are concerned. I would like you to correct me on this, but the sales value of Massey-Ferguson, are there common shares at \$14?

Mr. EMMERT: The last time they were \$13½.

Mr. SOUTHAM: Around \$14. It appears to me that the company has been doing a relatively good business here in Canada, and I am just wondering if your Canadian industry is carrying more than their fair share of the total economic load across the world wide operation.

Mr. EMMERT: There are two points I would like to make. Very early in our appearance here before this committee I pointed out that we operate in the North American market. There is no such thing as a Canadian farm equipment industry producing in its entirety for the Canadian farming market. This is a North American market. As you have heard, our production is integrated on this continent, and is supplemented by imports of certain items from United Kingdom plants. Therefore, the ups and downs of the United States market or the Canadian market obviously have a bearing on the operations within this continent. But more important than that, I would have to refer you to page 10 of the brief under section B under the heading of profits:

The problems concerning determination of profits are summed up by a quotation from page 16 of the report on the Canadian Agricultural Machinery Industry, by J. D. Woods and Gordon, Limited, dated April 1956, in connection with the royal commission on Canada's economic prospects. The quotation is as follows:

"Profits on Canadian Agricultural Machinery Companies—

It would be practically impossible to provide an accurate statement of the relative profits made by the four main companies in their Canadian operations alone."

One of the companies referred to was Massey-Ferguson. The brief continues:

"Production is integrated between their Canadian and United States plants, and different bases are used by the respective companies for determining the selling prices of the products moving between the two countries. It is equally difficult to separate profits made on domestic manufactures from profits made on similar goods when imported."

This quotation applies to Massey-Ferguson, one of the "four main companies", as much today as it did in 1956.

The testimony which was given by our company and the three other major companies to a royal commission was not given lightly. I am sure the consideration that the royal commission gave to the testimony was not light, and I could find no reason today to argue with the results of the deliberations of the royal commission as stated here.

Mr. REGNIER: There is a supplementary question I would like to ask. When you make your income tax returns for Canada, do you include all your profits made in the United States or elsewhere?

Mr. EMMERT: Mr. Regnier, we are required by the laws of the land in which we operate, of course, to submit an income tax return in respect of each company operating in that country. This applies wherever we do business. In Canada our situation is complicated by the fact that the main company, Massey-Ferguson Limited, is located—I think fortunately—in this country of Canada. Our return to the income tax authorities cannot be solely, because of that fact, an account of the transactions within the country, either manufacturing or selling. It is a conglomeration of the world-wide trade, and the net results of Massey-Ferguson and all other subsidiaries around the world because, as you noted here, this is a consolidated financial statement.

Mr. REGNIER: I wonder if you have to file a tax return for other countries as well?

Mr. EMMERT: We do indeed; we have to file a tax return in each of the countries where one of our subsidiaries operates.

Mr. REGNIER: Then, I would believe that your income tax returns for the respective countries would show the losses or profits made in each of these countries.

Mr. EMMERT: I have nothing to do with the filing of them, but I am sure you are quite right. Eventually, on the bottom line, you have to come down to the profit figure.

Mr. KORCHINSKI: Since this is a consolidated operation, would it be fair to assume that since, in your statement on page 5, of the 1960 report you state:

Earnings of the French company were not satisfactory, reflecting another year of unfavourable economic conditions,

—would it then be fair to say that your Canadian operations, or consolidated Massey-Ferguson's operations, show—what is it—about 2.3 per cent earnings on net sales?

In other words, what would happen is this: we could have shown a 10 per cent—I am just using this as an example—10 per cent, since there is only 12.6 per cent of your sales in Canada. Let us say, for example, that you probably can give us the correct figures here. You can show a 10 per cent profit on Canadian sales, yet because you had countries like France, or other countries—how many countries do you sell in? Is it 42?

Mr. EMMERT: One hundred and forty-two.

Mr. KORCHINSKI: Oh, I am only 100 out. You have much more room for losses in there. The point is this: that since you could make a loss in all these countries, and the fact is that Canadian sales have been profitable to the com-

pany, would it be fair to assume that because some of these other companies have been taking a loss or showing a loss, you have been in fact subsidizing operations in those other countries?

Mr. EMMERT: Mr. Korchinski, I must once more refer you to the studied results of the royal commission of this industry. We have not attempted in our annual report to delineate the profits in any particular country derived from the operations in that country.

We feel that we have an obligation to our shareholders to advise them where our trading affairs are not going as well as we would hope them to go. This is the case in France.

I should also call to your attention that our net profit which we are talking about in the past few years, is benefited from a tax credit from the United States government which has no bearing on our business in Canada at all. It is a very substantial tax credit.

This resulted from losses reported by the United States company in years gone by. I simply cannot add anything to the profitability by countries other than the statement included in the royal commission report to which we subscribe.

Mr. KORCHINSKI: You say that you are vice president of North American operations?

Mr. EMMERT: To be exactly specific, I am vice president of Massey-Ferguson Limited, and my authority as officer of the company is in respect of the operations of the company within North America.

Mr. KORCHINSKI: You would then no doubt have consultations occasionally? You would have meetings with other people who are in the same position as you are, only from a different area; that is to say, for example, from the United Kingdom, you would have a director from there, and you would have consultations with him occasionally, I would presume!

Mr. EMMERT: That is quite a natural thing.

Mr. KORCHINSKI: Yes, I presume it would be. You would then be familiar with whether or not these countries are operating at a profit or loss within reason. I mean certain countries—maybe you might not know the exact figures, but you would be familiar with whether or not they are showing a profit or a loss.

Mr. EMMERT: I am not familiar, Mr. Korchinski, with the profitability with any of the operating units other than North America, except at the year end.

Mr. KORCHINSKI: But you are familiar with them then?

Mr. EMMERT: This is a principle of organization. Each operating unit is intended to stand on its own feet. We in North America buy goods from the United Kingdom operating unit. It would not be—shall we say—an arms' length transaction. If Mr. Hunt, the managing director of the United Kingdom operating unit and I combined on the price he would charge us.

Mr. KORCHINSKI: Your operations in Canada were equivalent to 12.6 per cent of the total Massey-Ferguson sales last year. Your French operations were 11.4, according to your consolidated report.

Since the French operation was apparently, from your statement, one that was not satisfactory, to use your own words, obviously the Canadian operation was 12.6, which was roughly an amount equivalent to your overall operation; could I then assume that perhaps the amount that you had earned in Canada was offset in losses by what was incurred in France?

Mr. EMMERT: You could not assume that, Mr. Korchinski.

Mr. KORCHINSKI: Have you any reason why you should say that?

The CHAIRMAN: Mr. Korchinski, I believe you interrupted Mr. Southam in his line of questioning.

Mr. SOUTHAM: I am still not satisfied with the statement on page ten of your 1960 annual report. The Massey-Ferguson net income after taxes in 1960, on world-wide operations, came to 2.7 per cent on each dollar of sales. That is a general statement. Taking for granted that this is based on the facts given in the annual report here, I would like to refer now to what I referred to a minute ago. The earnings per common share, including the tax credits are 32 cents. I wish you would explain what this tax credit of 32 cents is? What is this benefit?

Mr. EMMERT: This accrues primarily from the United States government. For a number of years our United States wholly owned subsidiary, Massey-Ferguson Incorporated, operated on a basis that caused us to report losses to the income tax people in the United States.

Their income tax laws allow a corporation, as in this country, to carry forward tax losses, so that we in effect—we are not required to pay a tax on profits that we earn in the future, within the limit of the law.

The effect of that in 1960 was that whatever the amount of money we earned in the United States, it was not taxable under the laws of that land to the extent of the credit.

Mr. SOUTHAM: Then, Mr. Emmert, the earnings per common share in 1960 including this 32 cents of tax credit amounted to 97 cents per common share; in other words, providing your stock was worth about \$14 or \$13.75, that would indicate a dividend of about 13 per cent, roughly.

Mr. EMMERT: No. I think you are referring to the earnings per share. The dividends per share, as I recited yesterday, were 40 cents per share.

Mr. SOUTHAM: Well, of course, you would be assessing some of that for capital reserve and so on. The earnings then were thirteen per cent roughly. I am trying to relate that figure to your 2.7 cents on each dollar of sales. I am not an economist.

Mr. EMMERT: There is absolutely no relation, except by arithmetic: If our shares had been selling as they were a year ago at \$8 a share, the ninety-seven cents would represent about twelve per cent per share. That really is not a significant figure. The 2.7 cents relates to the earnings per dollar on sales.

Mr. SOUTHAM: The point I was trying to get clear is that in looking at your financial statement I see you have a profit. I am glad to see the profit. It looks as if they have done exceptionally well under the circumstances, taking the overall world-wide operations into consideration.

Mr. EMMERT: I am delighted to hear you say that. I hope you are a large shareholder, because we like to have the people feel that way. Actually we are completely dissatisfied with the profit performance of our company. Our chairman has said that in not unmistakable terms. Our president has said it. I have said it to our own organization, and I have said it quite clearly in this brief to you. We are completely unhappy with the profitability of this company. It is not even in keeping with the profitability of other major competitors.

Mr. KORCHINSKI: What do you say would be a fair return for your company?

Mr. EMMERT: I wish I could answer your question factually, in a way which would satisfy you, and in a way so that the answer could not change. This is a question which I ask myself all the time. It is a question asked of me by our board, by our executive committee, our chairman and our president. The only answer which I think any employee can give is that it depends entirely upon the circumstances in which you operate.

Mr. KORCHINSKI: Certainly as a Canadian I would not like to see you working on a margin, on a level where you are up and down certainly not. It seems to me, however, that since you are not prepared to state what you would like to have as a fair return, provided there is a profit you are prepared to keep operating.

Mr. HORNER (*Acadia*): Of course that is only logical.

Mr. KORCHINSKI: No.

Mr. EMMERT: I think there comes a time when the shareholders of a company are inclined to question the wisdom of continuing to operate, even though the company has operated at a profit. There comes a time when the shareholder is better advised to put his money into government bonds where there is no risk and he has a guaranteed return. This is not the case when a shareholder invests in a public company.

Mr. KORCHINSKI: Since the United States farmer obviously is subsidized to a greater extent by the United States government it would be fair to assume they are in a better position to pay more for their products. Somewhere in the brief you state that you would like to see the return greater to the farmer. You would then naturally think that is a more profitable area for your sales, would you not?

Mr. EMMERT: Mr. Korchinski, I do not have information available to me which would allow me to agree or disagree with your statement.

Mr. KORCHINSKI: But you are quite prepared—

The CHAIRMAN: I would remind you that you are getting into the internal operations of the organization.

Mr. KORCHINSKI: I am merely referring to portions of the brief. If I am not in order, then I would like to be told.

The CHAIRMAN: I recognize Mr. Milligan.

Mr. MILLIGAN: Mr. Chairman, I noticed in the findings of the farm forums a criticism about small parts which are worn out and which you cannot buy without buying the whole assembly. I have found that to be the situation in respect of some of my machines such as manure spreader, the power take-off on the power spreader where there is a little bearing which is worn out. You have to buy the whole assembly. Is it the choice of the dealer that they do not keep those parts, or is it company policy?

Mr. EMMERT: The policy of the company is as we have stated, and that is to stock any part or any assembly for which there are sales, or to stock in accordance with the laws of the province or the state in which we operate. I cannot state other than that. That is our policy. If you have a specific example on a Massey-Ferguson machine, we would be delighted to give you more information as to whether it is possible or otherwise.

Mr. KORCHINSKI: I have an example. I went to the trouble of trying to get hold of some information. On a fourteen inch plowshare the price is \$8.35. The tachometer, which I think you will agree is a little more complicated, sells at \$18.35. The axle on a landwheel one-way, which is a little simple rod, I think made of steel is \$40.50. How in the world can you justify pricing it in that fashion? A simple little mould board with a little curve in it is \$27.25. How in the world do you go at pricing these things? These are your own suggested prices.

Mr. EMMERT: Are these Massey-Ferguson parts you are speaking about?

Mr. KORCHINSKI: Massey-Ferguson I believe. The watergauge is \$4.90. I think it is far more complicated than a mould board.

Mr. EMMERT: Well, Mr. Korchinski, I would not attempt to justify the prices, as you put it. We explained yesterday our pricing policy, and there is little I can add to it. There is one thing that I would like you to do.

Mr. KORCHINSKI: I will do anything once.

Mr. EMMERT: I would like you—and this goes for all the members of the committee—to be our guest at our factories, and I will make a particular point of taking you to our Brantford factory where mould boards are made. I would then ask you to stand up on the machinery that we have paid for, and which we utilize, to make us a mould board. Perhaps then, you could understand some of the reasons.

Mr. KORCHINSKI: In other words, the cost of the machinery and the labour that goes into it are factors that determines the final price of that piece of equipment.

Mr. EMMERT: We have never denied that and, if we can cover our costs, we are fortunate; if we cannot, then, unfortunately, we have to do something about it.

Mr. NASSERDEN: Have you any formula in estimating these suggested prices?

Mr. EMMERT: You are now referring to parts?

Mr. NASSERDEN: Yes.

Mr. EMMERT: There is no formula. We stated in our brief that the 85,000 parts we maintain are under constant review. Prices are adjusted both upward and downward from time to time.

Mr. NASSERDEN: What are the considerations that are taken into account when they are adjusted?

Mr. EMMERT: Well, I would have to suggest that all of the usual commercial considerations are; competitive prices, to begin with; elements of cost, as we can account for them; how many we have on hand; historical movement of the parts; what do we expect in the future, and so on. We have a battery of people in our pricing activity who do nothing but keep under constant review these 85,000 parts.

Mr. KORCHINSKI: In reply to me, you stated you have never denied the cost of the machinery. The cost of labour and other components are factors in determining the price of that piece of, in this case, "repair". If I stated to you that you were losing money on the assembly of your baler in Toronto, could you deny that, or could you not?

Mr. EMMERT: Well, I think, Mr. Korchinski, you would have to add a lot to it before I could even reply to your question intelligently.

Mr. KORCHINSKI: If I stated that it was a fact, could you in some way or other prove that I was wrong?

Mr. EMMERT: No. Let me start off here. Would you be willing to specify when?

Mr. KORCHINSKI: Let us say for the year 1960.

Mr. EMMERT: But, you cannot do that.

Mr. KORCHINSKI: Or, 1959.

Mr. EMMERT: You cannot do that. Our baler plant runs three or four months out of the year, and for the rest of the time it is shut down; we have no balers to produce.

Mr. KORCHINSKI: As far as you are concerned, that is your 1960 operation?

Mr. EMMERT: Would you be willing to specify to me the number of balers?

Mr. KORCHINSKI: No; your total operation.

Mr. EMMERT: Now, you are going back on the same subject we were on before—our internal costs.

Mr. KORCHINSKI: If I said that you could neither prove nor disprove that statement, what would you say?

Mr. EMMERT: What are you driving at?

Mr. KORCHINSKI: At this: All I am trying to say is that you should be aware that there are certain operations that you should not be in, and that, in turn, could give you a greater return; also, there are certain operations which are subsidizing others. You cannot prove or disprove that, because you state you have no accounting.

Mr. EMMERT: Mr. Korchinski, from my point of view—and I know full well that some members of the committee do not agree with this—I am under no obligation to prove to you that our balers run either at a profit or a loss.

Mr. KORCHINSKI: Well, if you do not wish to answer me, that is perfectly all right; I just want it on the record.

The CHAIRMAN: Have you a question, Mr. Milligan?

Mr. MILLIGAN: My question concerns plowshares. Does volume make a difference in the price? I am thinking of a steel Massey-Harris share. There are some at \$8.50 and others go as high as \$15. Does volume have any effect on the pricing?

Mr. EMMERT: It has a very great effect, because one of the largest costs that any enterprise has to cover is the fixed cost as opposed to the variables. The larger the volumes, the less the fixed cost per unit. We manufacture and provide for sale a variety of shares. We have what we refer to—and perhaps some members of the committee would not agree with the terminology—as a low cost share. This is because of competition. It is not as good a share as a Massey-Ferguson standard share or some other kind, because, in terms of value, it will not last as long.

Mr. KORCHINSKI: Might I just—

The CHAIRMAN: Just a moment, Mr. Korchinski.

Mr. KORCHINSKI: Mr. Chairman, I think we left the wrong impression here. I think in your statement you stated you would like to have a greater return; I merely state that if you would perhaps investigate some of your operations, you might find that you could get perhaps a 5 per cent return on your sales, and that sort of thing.

Mr. EMMERT: Mr. Korchinski, do you think for one minute that we do not investigate all the items we can make money on, or think we can, and all the items we cannot?

Mr. KORCHINSKI: I think you do; that is the very point. That is the very fact I have been trying to establish, but apparently the information is not available.

Mr. EMMERT: Do you think any business operates otherwise?

Mr. KORCHINSKI: I have never intimated that.

The CHAIRMAN: Members of the committee, we have now spent considerably over three hours on B.

Mr. NASSERDEN: And, we are not through yet.

The CHAIRMAN: In fairness to some members of the committee who have been waiting patiently to ask a few questions on other parts of this brief, I think we should give them that opportunity. I do not want to discriminate

against any member, but some members of the committee seem to be occupying more time than others. In all fairness to those who have been waiting, would it be agreeable if we pass on to section C of the brief?

Mr. NASSERDEN: I have a question I should like to ask before we do that. Massey-Ferguson is a world-wide company and, in any given year, in some countries you may show a loss and in others a profit. Now, Mr. Emmert, would you give me your attention for a moment.

In regard to the Canadian end of your operations, you take care of what you can sell at home, and whatever you have surplus you can sell in competition with others in whatever country to which you take your product. That might mean, to some degree, a loss in breaking into a market in another country, and it would show a less favourable balance sheet so far as your operations are concerned there. Is that not a fact?

Mr. EMMERT: I hate to continue to appear dense, but is what not a fact?

Mr. NASSERDEN: Well, you have said that in France there was a decrease of 12 per cent from last year and in the United Kingdom there was an increase of 28.1 per cent, which was reduced to something like 5.4 per cent after everything was taken into consideration. You have also stated that sales in the United States decreased by 10.9 per cent, and that they increased in Canada by 11.2 per cent. Are we to take it that no action was taken to try to hold your sales, or your volume of sales in these other countries where they had slipped during the year?

Mr. EMMERT: I would assume that all appropriate action was taken to attempt to keep the sales level at the best possible rate.

Mr. NASSERDEN: Then I would think this statement, that in Canada the market was buoyant and sales increased by 11.2 per cent, was a good answer to Dick Sullivan's question, and also to Stan's question, in so far as there was a movement or a balancing of profit and loss as between the operations of your company in one country and in another.

Mr. EMMERT: I suggest you are presupposing that goods produced in Canada might be shipped to France and the United Kingdom at reduced prices in order to stimulate the markets there. From the evidence in the brief, and also from our annual report, it is evident that our sales outside of North America have been diminishing year by year. We do not produce anything in Canada for France; but this year, as I said yesterday, we were fortunate in producing 120 super 22 dieselized combines to test the market in the United Kingdom and France. That is the biggest order we have had in a long time, but the bulk of our production from our Canadian plants is either sold in Canada or, more fortunately, in the United States. I use the latter word because that brings exchange to our country. We have also pointed out that the prices to dealers in the United States are no less favourable than to the dealers in Canada. That is to say, we do not sell for less in the United States.

Mr. NASSERDEN: Then your answer would indicate to me that, on your consolidated balance sheet, there must be a levelling out of the operations as between these different countries and, while I am not asking you to say what it was, or if there was such a thing, from all appearances it seems that such a thing did take place.

Mr. EMMERT: I think it follows that when you have a number of operating units and one makes a profit and one makes a loss then, in the consolidated balance sheet of the parent company, fortunately located in Canada, there must be a levelling out.

Mr. NASSERDEN: That brings me to my next observation or question, whichever way you like to take it. Yesterday we established that your earnings of

2.7 per cent on the capital of your company represented something like 6.5 per cent. So, taking it that there must have been a loss some other place then, on the Canadian operations there must have been a greater profit than 6.5 per cent.

Mr. EMMERT: I do not see how you could take it that way, because there has been no evidence submitted to that effect.

Mr. NASSERDEN: Well there has been a pretty good indication.

Mr. HORNER (*Acadia*): What percentage of your sales, dollarwise, in Canada are received from the sale of parts?

Mr. EMMERT: I should like to be specific but, from time to time, you have said you would not accept approximations.

Mr. HORNER (*Acadia*): Fine; give me an approximation.

Mr. EMMERT: We have established a goal for parts sales. This is a sales objective, increasing with the balance of the industry as we know it, that from 18 per cent to 20 per cent of the whole goods dollar should be represented by parts sales, that is, if we are getting our share of the parts market. Unfortunately, our sales to date have not come up to this objective. If I am correct, Bill, I think they are about 15 per cent.

Mr. FORSYTH: That is right.

Mr. EMMERT: And that was in latter years. I might also say we are improving. As we improve our parts service and our ability to be competitive with other entrepreneurs in the parts field, we shall begin to see a greater share of the parts business.

Mr. KORCHINSKI: Do you say this is competitive with other companies?

Mr. EMMERT: Yes, there are many people in the parts business.

Mr. KORCHINSKI: Do you say you are quite aware there are other companies doing the same thing? Would you say this 15 per cent would represent another company's total sales of parts?

Mr. EMMERT: Mr. Korchinski, what I said was that we had established a sales objective of 18 to 20 per cent, based on our knowledge of some other segments of the industry.

Mr. HORNER (*Acadia*): I would read out of that statement, Mr. Emmert, that you implied someone, or somebody else, was getting part of the sales business on your parts. In other words, I gather that some other manufacturing companies are selling parts for your implements, and you are trying to get that business. Am I right in interpreting your remarks in this way?

Mr. EMMERT: You are quite right, Mr. Horner, in your latter statement. We believe there are other competitors selling parts for machines that were marketed under the Massey-Ferguson and Massey-Harris label, and we will not be satisfied until we obtain that business which was generated by the sale of our goods.

Mr. HORNER (*Acadia*): I understand you now. Thanks.

The CHAIRMAN: Well, gentlemen, if there are no more questions we shall pass on to section C, which deals with engineering, research and development.

Mr. KORCHINSKI: May I ask just one more supplementary question? This would lead one to believe that you are not very much interested in having someone else come in on your parts business. I am going to assume then that you are not interested in standardization. What would you say to that?

The CHAIRMAN: That statement needs an answer.

Mr. EMMERT: He has not asked a question yet, Mr. Chairman.

The CHAIRMAN: He is interested in standardization.

Mr. NASSERDEN: I have one more question. I do not know whether you want to answer it or not.

The CHAIRMAN: Is this on section C?

Mr. NASSERDEN: This is on section B. What would happen to a dealer who undersold repair parts at the list price that you suggest to him?

Mr. EMMERT: You mean who sold for less than the suggested maximum retail price? Nothing, from our point of view.

The CHAIRMAN: Any questions on section C?

Mr. PETERS: We are interested in this charge that is continually being made by the farmers that the manufacturers are manufacturing models—I guess you would call it model—because they have a slight change that makes them different and yet they are of no particular value to the farmer. Somewhat the same charge is being made for planned obsolescence in the automobile industry, and it would appear that in many cases, particularly in the last two years, there has been a planned obsolescence in farm machinery through the production of models that serve no particular purpose, at least there was no reason for that change other than encouragement of farmers to buy them because of the adding of chrome or frills. Has this been a problem with your company?—Before you introduce a new model, do you ascertain what method you used to determine whether there is justification for this new model because of the innovations on the new series?

Mr. EMMERT: Mr. Peters, I assume I may answer the latter part of your statement.

Mr. PETERS: Whichever you want. It has to do with the charge that machine companies are manufacturing many models that do not serve any purpose except to encourage the farmer to keep up with the Joneses.

Mr. EMMERT: Mr. Peters, yesterday the matter of planned obsolescence came up in the proceedings and I thought I was as clear as I could possibly be on it, that we do not subscribe to it. The latter part of your statement had to do with the question as to how we determine whether a new model is required or will be popular. We really have two methods of determining that. One is through market research, by inquiring into the requirements as stated by the customers. This goes on all the time, by observing the kind of models that our competitors offer and their popularity or lack of it in the market, also by observing very carefully and diligently the sales popularity of our own models with certain features or without them.

Mr. PETERS: How much research do you give before you make a major innovation? There are not too many in the tractor field—I am not too familiar with a lot of farm machinery— but it does not seem there has been too many, the Ferguson ideal of the 3-point hitch was a good example; but where do you try these out or what method do you use to see if these things are going to be worthwhile? Do you have a farm?

Mr. EMMERT: Through the methods I described. I think you are now getting into the area after the decision has been made to bring in a model, then what do we do about it? Our procedure is first of all to erect a design, secondly to build a prototype or prototypes, thirdly to test them in our own hands. This is done in our farm in Ontario near Milliken. It is done on another farm in Michigan not far from Detroit, another farm in Phoenix, Arizona and another farm in Thomasville, Georgia. We sometimes use the method which is quite common of placing in the hands of selected customers prototype pieces of our equipment. Last summer, for example, we placed in the hands of the largest custom combine operator in the world a prototype of a new combine. He uses it with his men. We have a test crew. We observe the results, we tabulate those and then the next stage would be to decide whether the tools for the product are satis-

factory. After tooling, we usually produce what in the industry is called a pre-production run, that is a small number, maybe 50 or 100, depending on the machine. They are placed in the dealer's hands but we urge the dealers to get them into the hands of the retail customers promptly. We are doing that right at the moment on a new transmission development on one of our tractors. If the article is still satisfactory at that stage, then we can decide or not to go into full production. These are the risks we take as we go along.

Mr. PETERS: Are there any legal limitations on your engineering program?

Mr. EMMERT: There are certainly legal limitations in the form of patent laws.

Mr. PETERS: I meant in meeting certain requirements. How close is the farmer protected in safety devices, for instance in new types of machinery?

Mr. EMMERT: There are safety codes, Mr. Peters. Unfortunately, in neither of our countries in which we operate, Canada or the U.S., is there a national code? There are many state codes and there are some provincial codes all bearing on the matter of safety. We obviously have to comply either in the original design or in the modification for sale in that particular area.

Mr. PETERS: You would then be satisfied that the demand for new machines or for a modification in that machine is satisfied by the sale of the machine?

Mr. EMMERT: Mr. Peters, I would hope that not only were we always satisfied but that our findings were borne out by the fact that I would be less than truthful if I told you we were always 100 per cent right. I can think of some horrible examples from our point of view of misreading the market intelligence on the part of our company and on the part of many other companies, and not only in the agricultural implement field. I do not even have to name names, but just go to the automotive field and you can name as well as I some models that never came off.

Mr. KORCHINSKI: Mr. Chairman, listening to Mr. Emmert stating that they do conduct tests and so on, and after having a prototype in the field and after finding out what its weaknesses are, you then try to determine whether there is a market for it. You have also stated that you can think of some horrible examples; yet on page 12 of your brief you state: "in fact we might say that the most insistent demand for innovation comes from the customer." On page 5 you say: "but, we have told them and have told the shareholders, that since the quality of management, along with research, development and product innovation, are the only areas where we have significant control over our business, we must do a still better job." On page 13 you tell us that you have spent \$11½ million on this work. How do you square these statements? First of all you tell us that it is the farmer. In other words you do inquiries and so on, then you go on to tell us that there have been some horrible examples of mistakes. You also tell us that you take the machine and wonder whether there is a sale. How do you square all these things?

Mr. EMMERT: I do not think I said all those things.

Mr. KORCHINSKI: It is on the record.

Mr. EMMERT: Let us get the transcript and read it, then.

Mr. KORCHINSKI: What did you say, then? You stated here on page 12:

In fact, we might say that the most insistent demand for innovation comes from the customer.

Mr. EMMERT: Shall we talk about that now?

Mr. KORCHINSKI: That is fair enough, but you also tell us that since that is the only area of control you might have, you must do more and more; in other words you are more insistent to try to improve on it. Did you not suggest that there have been some horrible examples in the United States or of something

of that nature? If I remember correctly, you also suggested you had a machine tried, and the man who does the custom component takes the machine and finds out where the weaknesses are in it. I may not be getting your words right, but you also suggested that he would find out the weaknesses and then find out what is the matter with it. You can correct that if you wish.

Mr. EMMERT: Mr. Korchinski, I think I will have to correct it.

Mr. KORCHINSKI: Correct it in any way you like.

Mr. EMMERT: I did not say we would be attempting to find out if there was something wrong, or where there must be something wrong. I said that we run the risk of the size of the market for our particular product. I did state that there have been some horrible examples. To give you a horrible example on the part of Massey-Ferguson, a creation entitled a side-mounted baler. This was a good idea, the customers would like it. We could not make it work nor has anyone else made it work. It is still a good idea if someone were smart enough to make it work. This is what I mean by mistakes being made. I know today there is a demand for that type of equipment, but we cannot produce one that is satisfactory.

Going back to page 12, which was really the basic statement which you referred to, it says:

In fact, we might say that the most insistent demand for innovation comes from the customer.

We know that is a true statement. We know it because if we fail to provide the same kind of features and innovations that our competitors do, the sale of our outdated product declines, customers will not buy it. Therefore, the demand is arising to provide at least that innovation or something in advance of it. That is what I mean by that statement.

Mr. KORCHINSKI: Thank you, sir, for your explanation.

Mr. HORNER (*Acadia*): In relation to my questions on standardization—I gave my views on standardization earlier, but I would repeat this on the question of testing. There have been rumours from time to time in regard to Massey-Ferguson, or Ferguson—coming out with a hydraulically operated car. Is this so, and are there tests going on?

Mr. EMMERT: Mr. Horner, I am afraid I cannot reply to that. Mr. Ferguson, now deceased, has not been associated with our company for many years. I have no idea.

Mr. HORNER (*Acadia*): In other words, you know nothing of it?

Mr. EMMERT: No.

Mr. HORNER (*Acadia*): There is one further question on standardization. You mention cultivator sweeps and hydraulic couplers. You also mention standardization of the power take-off, which is readily accepted as a good example. This all happened a while ago. I wonder if you would deal with the standardization of hydraulic break-way couplers. This is the kind of thing that aggravates the farmers from time to time. You have the break-way couplers in a line from the tractor to the implement, but every company have their own hydraulic couplers. The machine company that makes the tractor generally mounts their own couplers on the tractor. You back up to another machine and you have to change your cylinder around and do quite a lot of friggin' around. I always thought they could have some standardization of hydraulic couplers. It seems quite conceivable to me, and I believe that most farmers would appreciate it.

Mr. EMMERT: I think Mr. Forsyth is probably more able than I to answer that, Mr. Horner, but I would like to make just one very general statement on the matter of standardization. I think we stated yesterday that the farm

equipment institute, the body of manufacturers, through their engineering activity, are doing a great deal of work on standardization of such things as you have mentioned. The difficulty, of course, arises on the question of which design we are to standardize.

Mr. HORNER (*Acadia*): I realize that.

Mr. EMMERT: That is where everything falls down.

Mr. FORSYTH: Mr. Chairman and Mr. Horner, I can realize your apprehension and that of any other owners in regard to the standardization of hydraulic quick couplers or de-couplers. As you, or anyone else connected with this would know, since their invention in 1948 or 1949 they have come into common use and there has been a myriad of models and types principally built by—we refer to them as aircraft manufacturers—who are the main hydraulic producers in the country. A tremendous amount of work has been put into the standardization of hydraulic coupling on hydraulic hoses. I do not have the tractor red book, a year book that gives the tests for standardization, on the back of it. You will note that there are standardized lengths of hose, or different lengths of hoses are stipulated. You get these if you buy from a reputable manufacturer. The society of automotive engineers meet in a group and try to standardize these things. Up to the present time they have been unable to resolve their views as to what a standard hydraulic coupler should consist of, but, thank goodness, they are pretty much down to a couple of fundamental models now, and I would think that that standardization is on the horizon.

Mr. HORNER (*Acadia*): Thank you.

Mr. FORSYTH: It is granted that some ten years ago it was a pretty hazy situation.

Mr. KORCHINSKI: Do you not ask the farmers in these cases?

Mr. FORSYTH: Amongst the groups represented, it would be hard to guess the number of thousands of farmers asked. It would probably comprise the major number of letters which the machine companies receive about hydraulic couplers.

Mr. KORCHINSKI: This is the type of question I asked Mr. Emmert here on which we did not get a comment.

Mr. HORNER (*Acadia*): I have one question on standardization of the testing. You mention power take-off on 1,000 revolutions per minute. This has caused a great deal of concern to farmers operating tractors with standard power take-off in the range of 540 or 530. How big a difference will this make? You go on to say that some sort of a gear shift will be available to speed the present power take-off r.p.m. up to 1,000, but when do you think that will be? I will put my question simply. When do you think this changeover will come in your particular company—I say, approximately, I do not mean any dead date, or anything like that—and is it necessary?

Mr. EMMERT: Mr. Horner, replying to the first part of your question, I think we would be forced to offer 1000 r.p.m. as an option within the next three to five years.

Mr. HORNER (*Acadia*): Yes.

Mr. EMMERT: On the second part of your question, there are widely divergent views about it. The plain fact is that it is already offered by competitors of ours.

Mr. HORNER (*Acadia*): What is the name of the company?

Mr. EMMERT: John Deere, Ford, and I think International Harvester. That is what is going to force us.

Mr. HORNER (*Acadia*): Yes, I realize that.

Mr. KORCHINSKI: Just to change the mood of this whole committee, I wonder if Mr. Emmert could not give us an earth-shaking announcement to-night and tell us about some new tractor, such as a solar-powered tractor?

Mr. PETERS: Mr. Chairman, I think we should get to the business of this committee, rather than to satisfy some of these farmers about power equipment.

The CHAIRMAN: Are there any questions on section D?

Mr. CLERMONT: Mr. President, I may be asking a question which was asked last night when I was not here. The company sets 11 per cent interest. First of all, it is not in your contract. There is no rate of interest in your contract except for those who are in default, whereupon it is 12 per cent.

But in speaking of 11 per cent, let us suppose there is a sale for 12 payments. Is the 11 per cent charged on the balance for 12 months, and after every month you get it in instalments; but is the 11 per cent charged on the first instalment? Eleven per cent is charged on the different balances.

Mr. EMMERT: I am very sorry that you were not able to be present this afternoon when we had a very full discussion about this.

Mr. CLERMONT: Sometimes we are called away.

Mr. EMMERT: I realize that, but it is very fully set forth in the excellent transcript which is provided by the staff.

Mr. CLERMONT: Is the 11 per cent charged on different balances? Let us suppose a farmer owes \$500 as balance on equipment, and he pays it in 15 months. Is 11 per cent charged on the 15 months and when every month the balance is not the same?

Mr. R. M. SNELGROVE (*General Attorney*): The time payment differential or finance charge is calculated on the definite balance. That takes into account the total price, less deposit and less freight. The 11 per cent—or it would be more correct to say 11.08 or thereabouts, is simple interest.

When speaking of simple interest I believe it is correct to say that it is payable on a declining balance basis, and only on the balance owing. The 11.08 per cent is payable on the balance owing. It is included in both the credit and the property balance.

Mr. CLERMONT: Let us suppose that a farmer owes \$500, and he pays it in 15 months. You say you charge 11 per cent on \$500 for 15 months.

Mr. SNELGROVE: Yes. The rate is a simple interest rate on the declining balance owing over that period of time.

Mr. BADANAI: Insurance is included in the total cost of the machinery, is it not?

Mr. SNELGROVE: You have several coverages in this insurance. You have credit life insurance which insures the person who executes the contract up to the extent of \$20,000. Then you also have property insurance.

Mr. BADANAI: Is that included in the 11 per cent?

Mr. SNELGROVE: Yes.

Mr. NASSERDEN: I think what Mr. Clermont wants to know is this: if he could pay more than 11 per cent or less than 11 per cent depending on when the payments are made.

Mr. CLERMONT: That is not what I had in mind, because I know about other finances. Suppose the balance is \$500. Would it be 11 per cent for a year? That would be \$55; and if he makes his payment within the year, then what?

Mr. SNELGROVE: That would depend on when your payments are made. We lump, whether by a lump sum or not.

Mr. CLERMONT: Suppose there is a balance owing of \$500 to be paid within a year, in 12 exact amounts.

Mr. SNELGROVE: If you had \$100 balance for a year, on monthly payments you would pay \$11.08.

Mr. CLERMONT: That is not 11 per cent, because after six months I will owe only \$50, yet I will have to pay interest for a year on \$100.

Mr. MONTGOMERY: You do not have to take it if you do not want it.

Mr. CLERMONT: I know that. But what I am interested in is what the money costs. The financing is too expensive. It is not 11 per cent anyhow.

Mr. EMMERT: What is that?

Mr. CLERMONT: If I owe \$100 and it is paid in exact amounts within a year, at \$10 a month, and I pay 11 per cent interest after six months, then I have paid \$50; but I have to pay interest on \$100 for a full year.

Mr. EMMERT: I suggest that there is a misunderstanding here. What we intended to say was that the effective rate of interest calculated as on a time payment plan is 11.08 per cent. What you are attempting to find out, I think, is whether we charge 11 per cent on the deferred balance, and 11 per cent on the deferred balance each month thereafter.

Mr. CLERMONT: No, no.

Mr. EMMERT: That is the way I understood you.

Mr. CLERMONT: I said that if I owed \$100, he said my interest would be 11 per cent for a year on \$100. But after I make six payments, I then do not owe \$100. I owe only \$50; but I have to pay interest for a full year on \$100. That is what I meant.

Mr. SNELGROVE: The dealer, when he draws up the retail contract and the conditional sale agreement uses charts, a copy of which I can pass around the room here. These charts are prepared by actuaries and persons of ability in this field.

They calculate the interest, and there are various patterns depending on the down payment, the deferred balance, and the period of time over which it will take. It works out simply to 11.08, and it varies in the amount of 0.1 per cent.

Mr. CLERMONT: Are you charging your interest on the same basis as other finance companies?

Mr. SNELGROVE: I do not know.

Mr. EMMERT: Perhaps I might ask Mr. Forsyth, who has written many of these contracts and has experience to deal with it.

Mr. FORSYTH: I think Mr. Clermont's question is the one I was trying to answer this afternoon in response to someone who spoke about six per cent interest, and I asked if it was not one-half per cent per month that they were talking about.

May I go from 11 per cent to 10 per cent in order to simplify the arithmetic, and take \$100. I think your question is that you owe us \$100 but you pay it—let us take 10 months at \$10 per month. Do we charge you that \$10—let us take \$120. Do we charge you \$12 interest, which is simply 10 per cent interest or do we deduct the amount you have paid each month and calculate the interest thereon? This is what Mr. Snelgrove has attempted to explain. The latter is true. Let me oversimplify. You pay it twice; \$60 at the end of the first six months and \$60 at the end of twelve months. Then you will owe \$11.08 per cent interest per annum or \$100 for six months. Rather, it would be \$120 for six months, and you would owe \$11.08 interest on the \$60 for twelve months. Does that answer the question?

Mr. CLERMONT: I asked if your contract was based like any other finance company. He said he did not know if it is like any other finance company, because it is more than eleven per cent.

Mr. FORSYTH: That does not work out to more than eleven per cent.

Mr. ROMPRE: Could you submit a chart. All companies have a charge chart. It shows if you are paying for six months how much you pay, and so on. I believe you would have this.

Mr. EMMERT: We have and will submit it to the committee.

Mr. MILLIGAN: In Saskatchewan there are the A.M.A. testing depots and all equipment sold within the province is required to be tested at this testing depot. Would you cooperate if some of those stations were in the east as well?

Mr. HORNER (*Acadia*): This is mentioned on page 15 of section D in the brief.

Mr. EMMERT: I believe we have cooperated with the province of Saskatchewan. That is not to say we have always been in agreement with either their procedures, techniques and not necessarily their findings. We would cooperate with any such station established in the eastern part of Canada. I can only say we certainly would do so to the best of our ability, because that is our very spirit of doing business in the country.

Mr. MILLIGAN: It assists you in remedying some of the weakness in some machines in western Canada.

Mr. EMMERT: I would not say it has.

Mr. HORNER (*Acadia*): On page 15 you say "our engineers act as liaison with the A.M.A. and this becomes an expensive undertaking. Right-offs on equipment used in testing represent another cost to the company". There has been a great deal said about testing. We had a brief submitted earlier which suggested that the federal government set up testing stations throughout Canada. This is why I am asking this question. Just what approximate amount does this cost the company? Is it half of one per cent of the sales, or is it \$200,000. Could you give us a rough estimate?

Mr. EMMERT: The cost as related to the sales dollar of course would depend on how many machines were tested. I think the best approximation is that after a machine has been through the tests we would be very fortunate to realize more than half of its new dealer value.

Mr. HORNER (*Acadia*): Thank you. I believe the same costs would be incurred in respect of the Nebraska test, for instance.

Mr. EMMERT: Yes.

Mr. KORCHINSKI: Is that not included in your eleven and a half research expenditure?

Mr. EMMERT: Not to date, because only within the last four months did we formulate the arrangement so that our engineering and research department worked with the government. Prior to that it was incumbent on the branch at Saskatchewan to furnish the equipment.

Mr. PASCOE: On page 15 it says the dealer must be licensed. Does any cost incur to him as a result of this, or is it taken up by the company?

Mr. EMMERT: None of that test cost in respect of the equipment goes to the dealer.

Mr. NASSERDEN: Mr. Chairman, as I believe Mr. Emmert indicated, the parts required in the event of an emergency—he did not mention seeding, but for instance in seeding, haying or combining—they were sent to the dealer sometimes by air express at his expense. I have heard of the dealer passing this on to the farmers. Do you not think it would be better public relations for the company to absorb that as part of the cost of the order to begin with.

Mr. EMMERT: I bow to our general sales manager in respect of this.

Mr. FORSYTH: I guess I have to agree with you that it would be pretty good public relations, but I believe we are considering the possibility of a reduction in the price of farm machinery. I believe that would be an awfully substantial cost for a company to bear and it would probably reflect in an unfavourable manner.

Mr. NASSERDEN: The farmer is bearing the burden unfairly because he is in the unfortunate position of being without the part and the dealer or the company is unable to supply the part.

Mr. FORSYTH: Do you mean our dealers undersupply their parts?

Mr. NASSERDEN: You could put it that way if you want; but sometimes he is not to blame either.

Mr. FORSYTH: That is possible. Actually there are different circumstances. I think the best way to explain it is that no one would expect a dealer to have one hundred per cent of these parts in stock. Let us assume the dealer does not have, and orders the part from our branch. If he does and we are out of stock, in that instance we do bear the charge under varied circumstances. There are other cases in which that is not the situation.

Mr. NASSERDEN: I am not thinking only of Massey-Ferguson.

Mr. FORSYTH: This would be a very expensive item to put before the public as a public relations or advertising medium. I would like to explain it in a different way. If a grain grower was able to go to our branch office and pick up a part, and if that situation continued, there would be no incentive on the dealer to supply any parts. He would put the onus on us to get the parts to you when you wanted them.

Mr. EMMERT: I think I can settle this point. We pay the express charges for transportation when, in our view, the cause of it was within our control as, for instance, in a case where we did not have an adequate supply of items. If our suppliers or factories fell down, and the fault was not at the branch, we pay. However, if it does not, in our opinion, come within our control, then either the dealer or the customer pays.

Mr. NASSERDEN: The reason I brought this question up was this—and it is not in reference to Massey-Ferguson Company; this is another company. A farmer broke a certain part in connection with his tractor. It had to be ordered, as it was not one of the pieces which ordinarily break. It had to be brought up express, and the farmer knew he had to pay for it. I think that perhaps you should take those things into consideration when setting your prices for parts, because you get a farmer very angry when a thing like that happens.

Mr. EMMERT: Well, we have no desire to enrage our farmer customers, Mr. Nasserden, and I think you would agree that the policy that I have enunciated is certainly fair. If it is our fault, we pay; if it is someone else's, they pay.

Mr. KORCHINSKI: In that case, would a farmer know whether you paid or not?

Mr. EMMERT: Well, I think most customers have a reasonable rapport with—

Mr. KORCHINSKI: It depends on his relationship.

Mr. EMMERT: Yes.

Mr. HORNER (*Acadia*): I have one question in connection with the bottom of page 18 and the top of page 19. You say here that the dealer, today, is definitely faced with a buyer's market; in other words, that the farmer is in the driver's seat in regard to buying prices. I am not going to debate this

point, because it is a very debatable point, and it would take too long. However, at the top of page 19 you say that many promotional ideas are used by dealers, such as giveaways, special discounts, free gasoline, along with extensive radio, and newspaper advertising. The question I want to bring up is in connection with special discounts and free gasoline. I have seen advertisements in weekly magazines setting forth \$100 free gasoline which such-and-such a company provides. The dealers are not mentioned. Surely, it is not a dealer who is providing this. In a sense, it must be provided by the head office, because the company is paying.

I have another example of this: I have seen advertisements in weekly newspapers, setting forth a \$150 special discount on tractors; if purchased before a certain date. Surely the dealer is not providing this; the company must be.

Mr. EMMERT: Well, if I may read from the brief, we ascribe promotional ideas such as giveaways. Here is one which I have, a little knick-knack that goes on a key chain. There are lighters, special discounts. Some dealers will provide, as an incentive to their customers, a discount on service during the slow period. Very often, they will provide a discount on a particular machine of which they believe they have an overstock. Dealers certainly have been known to provide free gasoline as an inducement to the customer to buy. Dealers are encouraged by all manufacturers to participate in newspaper and radio advertising. There was a time when dealers were encouraged to contribute to the national TV advertising, but that is not done today.

Mr. HORNER (*Acadia*): I do not mean to interrupt, Mr. Emmert, but I want to get clear who is giving these special discounts, because there has been a great deal of discussion about the fact that there is price competition at the dealer level, but not at the machine company level. I suggest to you that this is the case. As you pointed out, you give dealers special write-offs. In a sense, are not the machine companies then providing these special discounts and free gasoline?

Mr. EMMERT: No, I would not agree with that, because the very next sentence in the brief says: "We give". We might have used the word "also". "We also give our dealers special off-season discounts as a means of overcoming the high seasonality of sales in our business." We also have been known to have programs. Perhaps some of you remember a program we ran, which was called The Clare Burt cash bonus offer. Also, we have been known to offer, in season, cash discounts to a retail customer. This is direct from the company.

Mr. HORNER (*Acadia*): In a sense, then, the dealers give special discounts, free gasoline and other giveaways, but so does the company enter into special discounts and special offers.

Mr. EMMERT: Sometimes.

Mr. HORNER (*Acadia*): Fine.

The CHAIRMAN: Gentlemen, we shall proceed to section E, labour relations.

Mr. PETERS: What is the base rate in your contract?

The CHAIRMAN: Will you answer that question, Mr. Emmert?

Mr. EMMERT: What is our base rate?

Mr. PETERS: Yes.

Mr. EMMERT: May I have a definition of the base rate, please?

Mr. PETERS: Well, you negotiate a base rate in a contract. The base rate is the low hourly rate you pay, not taking into consideration incentives.

Mr. EMMERT: What you are really asking is the lowest rate we pay.

Mr. PETERS: Well, for instance, what is the sweepers rate.

Mr. EMMERT: Are you asking if we have a sweepers rate, and if he is the lowest paid man?

Mr. PETERS: This is not a difficult question. All contracts have a base rate.

Mr. EMMERT: Mr. Denton, will you get that information?

Mr. PETERS: I was just curious.

Mr. DENTON: The base rate, actually, for incentive workers varies, but the base labour rate, excluding the cost of living, would be \$1.65 per hour.

Mr. EMMERT: And, including the cost of living.

Mr. DENTON: I believe it is now at \$1.68. It would be three or four cents more.

Mr. KORCHINSKI: Would you be prepared to supply us with the amount of percentage increases in wages? Perhaps I should put it another way: Would you supply us with the increase in salary since 1946? Could you supply us with information showing, on a yearly basis, what increase was effective?

Mr. EMMERT: Year by year?

Mr. KORCHINSKI: Yes.

Mr. EMMERT: I think we will find a table here, and this may serve your purpose, Mr. Korchinski. I am referring to exhibit F, on page 16 of E.

Mr. KORCHINSKI: I would like to have that expressed as a percentage.

Mr. EMMERT: We could very easily calculate it for you.

Mr. KORCHINSKI: Well, perhaps we should have it, just for the record. Could you express it as a percentage?

Mr. EMMERT: For example?

Mr. KORCHINSKI: From 1947.

Mr. EMMERT: In 1947 it was \$1. The next year it was \$1.19. That is a 19 per cent increase. Then it went to \$1.25. We could calculate that. The index over here is another way of measuring it.

Mr. KORCHINSKI: Well, that is fair enough. I suppose I can figure that out, if I want to. My next question is this: I suggest it has nothing to do with labour relations but it has a bearing on what I had in mind—

Mr. EMMERT: If I may interrupt, you will recall from the chart—the index period from 1947 to 1960,—during that period the percentage increase was 117 per cent, the same figure as shown on the chart we had here several days ago.

Mr. KORCHINSKI: What I should like to know is could you, starting in 1947, express as a percentage the increase in the cost of your machinery for the comparable years?

Mr. EMMERT: Once again, we can express this in terms of percentage. On the chart which I hold in my hand you will recall this dotted line indicated the farm machinery price index. This is a distribution figure.

Mr. KORCHINSKI: That again is an index.

Mr. EMMERT: Well, expressed in percentages it would be 100 per cent.

Mr. KORCHINSKI: I want this clarified so that I can understand it. In 1947, although it was actually a dollar, your index is 80 cents.

Mr. HORNER (*Jasper-Edson*): It is 100.

Mr. EMMERT: Going back over the period from 1949 to 1960 the percentage increase would be 117 per cent in respect to labour. In the same period of time the percentage on the farm machinery price index would be slightly in excess of 100 per cent. The exact figure is 101 per cent.

Mr. KORCHINSKI: Could we have that for every year from 1947?

Mr. EMMERT: Yes indeed we can.

Mr. KORCHINSKI: I should like to have it, to compare it side by side with the other. In establishing the wage scale for the coming year, do you find that the unions or negotiating teams consider your profits in cases where there are profits and, if there are losses, do they consider them also?

Mr. EMMERT: Well, Mr. Korchinski, that is certainly the subject of conversation in negotiations. I speak not only as an interested observer on the part of the company but with some first-hand knowledge, having done a bit of it myself. If a company's profits are high in the minds of the union negotiators, they become a big topic of conversation. If the profits are normal they do not receive as much emphasis on the part of the union negotiators, and if the company is at a loss, that receives no attention whatsoever.

Mr. KORCHINSKI: But nevertheless negotiations still go on. Why was it \$1.80 in 1944 and in 1955 it was \$1.79?

Mr. EMMERT: This is average hourly earnings and I assume that some variation could be caused because of the method of payment, incentive schemes, overtime and such things.

Mr. DENTON: All overtime is included when we state average hourly earnings. The amount we pay for overtime is added to the average.

Mr. EMMERT: I also mentioned earlier that we normally have a very high content of skilled labour in our plants because we do all our own tooling. If the tooling load was down in that year, that fact would tend to depreciate the average hourly earnings.

Mr. NASSERDEN: What is your premium for overtime?

Mr. EMMERT: The premium for overtime is 50 per cent for time in excess of eight hours per day, or forty hours a week.

Mr. DENTON: And Sundays and statutory holidays would be double time.

Mr. KORCHINSKI: I have been trying to look up your net earnings for the year 1955. If I remember correctly, it seems to me that was one of the bad years for Massey-Ferguson.

Mr. EMMERT: Mr. Denton, have you any comments to make?

Mr. DENTON: On page 5 of our submission you can see the increase in cents per hour in 1954 was 3 cents.

Mr. NASSERDEN: And in 1955 it was what? Page 5 of what?

Mr. DENTON: Page 5 of section E. Mr. Emmert, I should like to correct the statement I made previously on the base labour rate. I failed to add the two factors which we have subsequently added for the increases during the term of the agreement. The figure should be \$1.81 plus three cents for cost of living, making it \$1.84.

Mr. EMMERT: That replaces the 65 and 68 which was mentioned.

Mr. NASSERDEN: Could you give us the high and the low?

Mr. EMMERT: We have just given you the low.

Mr. DENTON: The high varies because of our incentive plan. The high would really be of no significance for this.

Mr. NASSERDEN: I happen to be very interested in this incentive plan because I think it is a very good thing. I was wondering how much extra a man can earn by devoting himself to the job.

Mr. EMMERT: As I recall, it runs as high as 140 per cent of the base.

Mr. DENTON: The base rate varies, starting with \$1.81 and going up by 5 or 6 cent increments, with the normal incentives above that. We would expect the average person to be able to make about 125 per cent, so the incentive earnings would vary up to 130 and, in some cases, up to 140 for an extraordinary person.

Mr. NASSERDEN: What percentage of your labour force would qualify for incentive payments?

Mr. DENTON: This would just be an approximate figure, but I would say about 35 per cent.

Mr. NASSERDEN: Do you look for any improvement on that by providing training in some form for your employees?

Mr. DENTON: The figures I gave you are based on the incentive system. As I stated previously, our employees are paid under three different systems, day work, mixed day work and the incentive system. The figure I gave of 35 per cent is for employees paid under the incentive system, depending on the type of work.

Mr. HORNER (*Acadia*): I have a supplementary question on wages—

Mr. NASSERDEN: When I have finished.

Mr. PETERS: One at a time.

The CHAIRMAN: I am calling Mr. Horner.

Mr. HORNER (*Acadia*): I notice that on page 6 of the brief you state that 28 per cent of the annual payroll goes on fringe benefits. Now, just to clear this up in my mind, we are talking about wages at something like \$2.19, and is it true that this figure of 28 per cent is over and above that amount?

Mr. EMMERT: You would have to add 28 per cent to get the cost.

Mr. HORNER (*Acadia*): In other words, the base rate is \$1.84. Would the people who get that be entitled to fringe benefits which would enable them to increase that again?

Mr. EMMERT: Actually, the percentage in the lower level described as fringe, would be right.

Mr. KORCHINSKI: Since you have stated that the profit the company shows is one of the factors the unions and negotiating teams consider in establishing what they feel should be their wage rate for the following year, and since you also state you would be interested in showing a greater return for the company and a greater profit, if your company decided to pay deficiency payments would that mean a greater return to the farmers?

You would then have been in a position to charge more because you might have considered that you should get more. You have already stated you should get a fair return. Would that not have placed the worker or the union or the negotiating teams you may have to deal with in a position where they would say that they would like to get more?

Mr. EMMERT: Mr. Korchinski, I do not think we need to spend any time attempting to think up inducements for our negotiators to ask for more.

Mr. KORCHINSKI: If you were to show greater profit, would that not have been a factor for them to ask for more? In other words, your costs would go up and where would we be as farmers?

Mr. EMMERT: If we go back to what was actually said on this thing, you asked whether it was a factor, the matter of profits or losses. I believe my reply was in the context that if our profits were high, it elicited a great deal of conversation about that from union negotiators. I do not think I agreed it was necessarily a factor. The union people of course make a great point of it. Our profits as a company would cause them to discuss it to a great extent and through that try to put more pressure on Mr. Denton who does the negotiating.

Mr. PETERS: You first gave a base rate of \$1.65. How did you arrive at the 16 or 17 cents, whichever it happened to be, as an increase to the wages without contract negotiations?

Mr. DENTON: The last agreement we signed was a three-year agreement which involved two automatic increases, and for this particular category of labour these increases varied. It involved increases during the term of the agreement.

Mr. NASSERDEN: On page 6 of this section E it is stated: "the fringe benefits at M-F are generous in comparison with arrangements prevailing in outside industry. The cost of fringe benefits in January 1961 at M-F amounted to almost 28 per cent of the annual payroll or an average of \$1,275 per employee." Does that fluctuate with different employees, the amount of fringe benefit that is available to them?

Mr. DENTON: Yes, that would certainly fluctuate. For example, certain employees, depending on years of service, would be entitled to different amounts of vacation. Obviously that cost per individual would vary.

Mr. NASSERDEN: The only other question I would like to ask Mr. Emmert on this is whether he knows that almost 60 per cent of the farmers in Canada receive less than \$1,200 per year? It is 40 per cent. I would even be glad to accept the figure of 30 per cent.

Mr. HORNER (*Jasper-Edson*): You will be pleased that the government is going to continue the \$20 million subsidy because you have taken major advantages of this both in your sales to the Canadian customer and also to the American ones. Is that correct?

Mr. EMMERT: I deplore the necessity for any subsidy, but we are naturally pleased if that means that the rates would remain static or even go down.

Mr. HORNER (*Jasper-Edson*): I am just suggesting to you that this is a similar subsidy which has been paid for the last two years, and you people have had the advantage of it as it reduced freight rates from 17 per cent to 10 per cent and then down to 8 per cent.

Mr. EMMERT: Dr. Horner, by far the greatest effect of a freight rate increase on the part of the Canadian railways would be to the detriment of the retail customer.

Mr. HORNER (*Jasper-Edson*): But I am suggesting that this has helped your competitive position in the United States and in western Canada.

Mr. EMMERT: I would choose the words a little differently. I do not think it has helped our position; it has assisted in not worsening it.

Mr. HORNER (*Jasper-Edson*): I want to ask a question with regard to equalization of freight rates. You note in your brief with regard to the 1955 act when partial equalization came in. We also know that certain other industries have carried that along on their own and have equalized freight rates to the various customers across the country. Has your company done anything in this regard?

Mr. EMMERT: Mr. Child, would you care to speak on this?

Mr. CHILD: Our prices are based on the f.o.b. factor, so that a customer in Winnipeg is going to pay less than a customer in Edmonton for the same machine. That is the laid down cost.

Mr. HORNER (*Jasper-Edson*): As a company, you have not done any studies in changing your policy in this regard? In other words, have you done any studies or have you considered the possibility of improving your competitive position by a process of equalization of your freight rates, taking into consideration, I realize, that the percentage of market over which you have had advantage now in your Canadian operation and as compared to percentages?

Mr. EMMERT: Dr. Horner, your question was: has the company made any studies on this matter? The answer is, yes.

Mr. HORNER (*Jasper-Edson*): That is as far as it goes.

Another area which I would like to have some questions answered on. You answered briefly a question earlier on with regard to water transportation, but in your brief you suggest that you have not been able to secure any agreed charges on farm machinery because your machinery is of a nature that there is no competition with the railways in moving.

I want to know a couple of things about this. The rates in the United States from the Moline area, according to your tables, have decreased recently. Is this because the farm machine industry has been able to negotiate agreed charges in the United States?

Mr. CHILD: You are thinking of the incentive machinery rates that you say run from Moline up to the border?

Mr. HORNER (*Jasper-Edson*): Yes.

Mr. CHILD: The farm machine companies have had negotiations with the railways in the United States. As a matter of fact that was done in an endeavour to combat motor traffic competition. They approached us as to some means whereby they might regain traffic and we sat down with them and told them that possibly incentive minimum rates would do it. They found lower rates and a higher minimum might have this effect, and so they agreed to publish a line of rates in that manner. Since that time these rates have been operating in what we like to term the western-south line territory. We appeared before an examination board of the I.C.C. not too long ago, and the evidence was all taken down as to why the rates were reduced, and whether the railways were receiving compensatory amounts for their haul. No decision has been made as yet as to the outcome of that proceeding, although I believe it will go to the commission in Washington.

Mr. HORNER (*Jasper-Edson*): In the United States you have an agreed charge as a minimum.

Mr. CHILD: I believe your conception of an agreed charge is different from mine. This is not an agreed charge; this is a tariff charge which is published for all shipments.

Mr. HORNER (*Acadia*): As regards further development, you state that you cannot get better rates in Canada. You refer to combines and balers being large and complicated machinery which it is difficult to ship on anything but rail. Let us study the question of tractors, where they form 45 per cent of your sales, and talk about them. I know that into western Canada at the moment other companies are using trailer trucks with six and seven tractors on each, and they are bringing them in there from the Moline area. Have you ever transported any of your tractors from Detroit, via the truck method?

Mr. CHILD: Yes.

Mr. HORNER (*Jasper-Edson*): This is it in essence. You can go to the railways and say: "We have a competitive rate from the trucking industry and we should be able to get a better rate on the railways".

Mr. CHILD: As far as trucks and rails from the United States are concerned, the shoe has usually been on the other foot. In other words, the trucks sometimes figured that their services were a percentage higher than the rail. As far as tractors are concerned, it was some time before the truck operators came down on that—and that has happened only within the past year and a half.

Mr. HORNER (*Jasper-Edson*): But they are equal now?

Mr. CHILD: In some areas they are equal. In some areas the trucks are higher.

Mr. HORNER (*Jasper-Edson*): There is one further question. You stated you had quit using water transportation pretty completely. Do you not use water transportation from Detroit for tractors?

Mr. CHILD: We do, to some destinations.

Mr. HORNER (*Jasper-Edson*): I am from western Canada. This is what we are getting at at the moment. We feel very strongly about freight rates in western Canada.

Mr. CHILD: So far there is no operator with authority to haul back from Detroit further than Fort William or Port Arthur. The water transportation I was referring to was from Detroit to Duluth, moving into the Dakotas.

Mr. HORNER (*Jasper-Edson*): There is one further question. What about your tractors which you are importing from the U.K.? You said that you are bringing them by water direct from Toronto. Have you thought of bringing them by water direct to Churchill to supply the western Canadian market?

Mr. CHILD: We did that one year. I forget the year. We brought some to Churchill. But the summer season does not coincide too well with the shipping season into Churchill. This year we had two vessels, one in July, and one in August from Liverpool. By that time Mr. Forsyth hoped to have all the tractors in 1961 placed in western Canada.

Mr. HORNER (*Jasper-Edson*): It would be nice for us in western Canada. We appreciate the port of Churchill. One of their difficulties has always been that of having a two-way traffic, with ships going in to load with grain. I appreciate the difficulty there. But what about the use of piggyback trucks to move some of your farm machinery?

Mr. CHILD: There are three type of piggyback operations. We do use piggybacks. We call it trailer handling, according to the National and C.P.R. for freight from Brantford to Montreal, for some of our smaller machines and parts. We have used it for steel from Montreal back into Toronto. Number one; the piggyback operation is sponsored by the railways with their vehicles. Number two, is where the trucking company put their trucks on the rails. This has happened with our shipments from our industrial plants at Wichita, Kansas, where they are put on to trailers for Windsor.

Mr. HORNER (*Jasper-Edson*): You have not used any of these piggybacks to the west?

Mr. CHILD: No, we have not used any piggybacks to the west. Our experience has been that the rails will only meet truck rates. They are not bound to go beyond truck rates in order to induce the use of piggybacks.

Mr. HORNER (*Jasper-Edson*): I have one further question: what about the better rates for the agricultural industry in the United States to ship from their implements centre in the Moline area? Do you feel that the railways are being properly compensated by those rates?

Mr. CHILD: I was behind them, so I would like to feel that they are compensated.

Mr. HORNER (*Jasper-Edson*): You believe they are. Thank you.

Mr. HORNER (*Acadia*): Mr. Child, you stated that presently tractors are moving from Detroit to Duluth, but there is no authority for them to move from Detroit to Fort William. Did I hear you right? Just what do you mean by that?

Mr. CHILD: There is no available freighter service of the type to accommodate this.

Mr. HORNER (*Acadia*): What type of freighter service is now accommodating you in your shipments from Detroit to Duluth, by water?

Mr. CHILD: It is a United States navigation company which has authority to operate, but no United States company has authority to operate in inter-state commerce between Detroit and Port Arthur of which I am aware.

Mr. HORNER (*Acadia*): Do you think it would be feasible for a company, Canadian or American, to cut the freight rates on tractors going into western Canada by freight—hauling those tractors from Detroit to Fort William? You must be making a saving from Detroit to Duluth, or you would not be doing it. Is there not a possibility of a similar service for western farmers?

Mr. CHILD: You mean water transportation to Duluth and transport beyond that.

Mr. HORNER (*Acadia*): If you had a boat load or practically a boat load, could you do the same thing for western Canada?

Mr. CHILD: If we could find an operator to do that, we would be quite happy. With Canada Steamships we are investigating the question of trucking them across to Windsor and loading them on a vessel there for Montreal. If we could find an operator to do the same thing for Fort William, west, we would be very glad to investigate that.

Mr. EMMERT: There is one very great difficulty in transport of tractors to Port Arthur, that is the seasonal situation. Mr. Forsyth wants his tractors in the west before the navigation season comes about.

Mr. HORNER (*Jasper-Edson*): This would give you a lever for going to the board of transport commissioners.

Mr. EMMERT: We certainly subscribe to what Mr. Child said, that we would encourage a carrier to do this and would hope we could find one.

Mr. HORNER (*Acadia*): On page thirteen you suggest leasing equipment. I think you have in mind trucks. Could you carry this further in respect of leasing barges to transport these?

Mr. EMMERT: No.

The CHAIRMAN: Gentlemen, I wonder if I could suggest at this time as it is nearly 10 o'clock, that we have been sitting a long time. I do not want to curtail any questions or answers, but I wonder if we could make our questions as brief as possible and perhaps the gentlemen replying would make their answers as brief as possible in an effort to finish our proceedings here tonight at 10 o'clock instead of having to come back and sit tomorrow.

Mr. KORCHINSKI: Optimist.

The CHAIRMAN: I think that would be better than having to come back and sit tomorrow. I might point out that our staff is working long hours; also, it is not my desire to work our committee members or witnesses too hard. I think that we should endeavour to finish up by 10 o'clock, if possible.

Mr. HORNER (*Acadia*): I have one further question in connection with page 18 of the brief.

Mr. EMMERT: This is on the transportation section?

Mr. HORNER (*Acadia*): Yes. They suggest that the freight cost has been by way of percentage from 1956 on. However, we do not have any idea of the amount of equipment moved. It is all in dollars. Do you see what I mean?

Mr. EMMERT: I cannot help but smile, because, for two or three days, you and I have been at some odds—I hope not seriously—and here we display exactly, in respect of this element, what I thought you were asking for.

Mr. HORNER (*Acadia*): True, but you see, it does not matter how many dollars. If your percentage remains the same, and if your total sales increase to \$500 million in Canada, as long as your percentage remains the same, there would be no difference, or no possible reduction in the cost of that, or no increase.

Mr. EMMERT: You know, Mr. Horner, we did not put that table in there to serve the purpose that you have been hoping we could provide information

for. We put it in, rather, to illustrate—and we have had very few opportunities to illustrate this—that once in a while we are able to do a good job. What this says is that we have been able to contain the percentage of freight costs to our sales dollar—and let us go from 1956—notwithstanding this kind of increase in the absolute freight rates. All of the things we have talked about in that section have caused us to utilize no more dollars out of our sales dollar for freight than we did four years ago. If we had simply absorbed the freight increase and had not found ways and means of overcoming it, this percentage would be quite different.

Mr. HORNER (*Acadia*): I note that the graph in connection with freight rates takes a sharp drop from the third month in 1958. Is this because of the \$20 million subsidy?

Mr. EMMERT: Would you answer that, Mr. Child?

Mr. CHILD: That was where the 17 per cent increase in 1958 was reduced to 10 per cent, and then reduced by 2 per cent to 8 per cent.

Mr. NASSERDEN: The bulk of those freight charges were added to the cost of the machine when they were sold to the farmer.

Mr. EMMERT: Some portion of them, yes. Certain incoming freight charges were absorbed in the company costs, as well as certain outbound freight charges.

Mr. NASSERDEN: And, this is added on. I have seen it on other contracts, as well. I just wanted to bring that information out because it has been the farmer who has suffered, as a result of the lessening of the freight rate during the last two years. It has been the farmer, or the customer of the company.

Mr. EMMERT: To the degree that it applies to hauled goods shipped outbound.

Mr. NASSERDEN: My other question has to do with plant location and the remarks on page 17. Have you ever thought of setting up an assembly plant for combines in Winnipeg or some other place in western Canada?

Mr. EMMERT: Yes. This matter has been given attention, I am sure by more companies than ours. I believe it was studied by the automotive people from time to time and they looked into the economics of setting up a western Canadian assembly plant. We have investigated the same thing and, in years gone by, it was common practice to assemble certain products in the branches; but this is no longer economic.

Mr. NASSERDEN: But would it affect the overall freight charges?

Mr. EMMERT: It would reduce the freight charges if we could take advantage of the load rules per freight car. We could bundle things but still it would increase the overall costs and would not be economic.

Mr. KORCHINSKI: Could you tell us what general area you had in mind in considering the re-location of plants? Is there some area in western Canada, or had you the United States in mind?

Mr. EMMERT: You asked for a general area and I have to tell you the North American continent.

Mr. KORCHINSKI: I said Canada or the United States.

Mr. EMMERT: We have not looked at any particular Canadian location other than in Ontario.

Mr. KORCHINSKI: With no consideration to western Canada?

Mr. EMMERT: Not in this study.

The CHAIRMAN: Are there any further questions?

Mr. GUNDLOCK: This may be a hypothetical question but, before we leave this particular investigation, I should like to ask Mr. Emmert, in view of the

fact that some questions were answered with reluctance, or not answered at all, in the opinion of some members of the committee, if these same questions were answered by other machine companies to our satisfaction what would be his reaction?

Mr. EMMERT: Mr. Gundlock, I agree that is a hypothetical question and probably my reaction would have to be tempered by the exact replies you may elicit from the other companies. That would certainly have a bearing on any consideration we might give the matter.

Mr. KORCHINSKI: For clarification, I want a short answer to this. Do you separate your parts sales from your larger tractor and combine sales? Are they a separate entity, or a separate accounting department?

Mr. EMMERT: You mean organizationally?

Mr. KORCHINSKI: Yes.

Mr. EMMERT: The parts operation within the company is really operated by two major organizational segments, one called planning and procurement. Their job is to ascertain the requirement for parts, to look after the pricing of parts, to warehouse them centrally and to distribute the parts from the central warehouse to the field. At this point Mr. Forsyth's sales organization takes over, and it is their responsibility to warehouse the parts in the field, ship them to the dealers and look after their sale.

Mr. KORCHINSKI: But as a costs matter the division is not shown on a profit and loss basis as a separate department?

Mr. EMMERT: The cost of parts is billed into the factory costs.

Mr. KORCHINSKI: In other words, it is not one unit?

Mr. EMMERT: I know some companies do what you are suggesting. They have a profit and loss account in respect of parts.

Mr. NASSERDEN: I am looking forward to seeing Mr. Emmert and his associates back here, about a month from now, with the other information we would like to have. I think we have secured some information from them, but the important information still remains to be secured.

Mr. HENDERSON: They will have nightmares when they think of this.

The CHAIRMAN: I think we are probably ready to adjourn but, before we do so, I want to thank Mr. Emmert, Mr. Hickey, Mr. Forsyth, Mr. Penny, Mr. Denton, Mr. Kingsmill, Mr. Childs and Mr. Snelgrove for appearing before us as witnesses. Possibly the committee has not gained all the information members hoped to gain, but I do not think it would be possible to get all that information from one company. The committee will have opportunities of getting it from other machine companies but I hope our friends in Massey-Ferguson will take the opportunity of coming back to us, and that they will have many of the answers we sought, when they do return. Now, I understand Mr. Emmert wishes to make a few remarks.

Mr. EMMERT: I asked your chairman if, at the close of the meeting, I might have a short time to say several things.

I would like, Mr. Chairman, through your good offices, to indicate to those responsible our delight in what we read from the headlines in the *Citizen* this evening—\$362 million worth of wheat which has apparently been disposed of. That goes, of course, with our philosophy that what is good for the farmer inevitably is good for us.

Secondly, I should like to apologize to the committee for an inadvertency on my part. It has been called to my attention by one of our group here—not by committee members—that I used the words "if and when we receive copies of the resolutions which were passed by the committee". I want to make

it quite clear that I use the word "if" in the context of wondering whether or not the resolutions as they appeared at that point would again be changed, as they had been changed previously.

Thirdly, I am going to take one more shot at trying to impart to the committee in the most sincere way that I possibly can Massey-Ferguson's point of view on some of the information that we have been asked for and that we have been unable or reluctant for a variety of reasons to provide you with. I would like to call to your attention that our company stated in the brief that I am responsible for in several places that we were anxious to assist and to cooperate with the committee and that we intended to give every assistance and cooperation that we could. I should like to go beyond the brief and say that we came here with the intention of being frank and honest in the area of assistance to the committee. We have endeavoured to be so, and it is with this quality of frankness in our minds that we simply have no intention of misleading the committee by providing to it information which, to use my words which I know were disputed, could be meaningless, not meaningful, because by so doing we would simply sidetrack the committee from what we consider to be the pursuit of its real objectives. We do not want to be put in the position of providing you with information on an indiscriminate basis, be put in the position of leading the committee down a blind alley. We have stated our position, that whatever information of the type we have expressed reluctance about, that the committee may elicit from any one company, should be insisted upon from all companies selling agricultural equipment in Canada. To do otherwise, that is, to single out one company, would be completely unfair. To single out only those companies who assist our Canadian economy by manufacturing in this country would, I think, be doubly unfair.

I must point out once more that some of the information the committee have been asking for is definitely—and this is reiterating what I said in the transcript many times—definitely of a nature that would give comfort and aid to our competitors. It is one reason we do not like to contemplate that sort of information.

Now, for my last shot at attempting to get our point of view on this kind of information across, ever since this question came up I have been studying as to how we might translate our commercial position into terms that are completely familiar to the members of the committee who are really representing the farmers. I have chosen to use an item of production with which we are all familiar, the item of production being wheat. Our item of production is farm equipment. In the production of wheat, the producer has exactly the same components of cost as we have in the production of farm equipment. I think there are some parallels between the changes which have occurred in our industry and those which have been experienced in agriculture.

You may recall, from the brief personal history that your chairman was kind enough to set forth on my behalf, that I was raised on a farm. Therefore I have to trust my memory, but it should not be too bad.

I seem to recall that about the beginning of world war II the hours of labour required to produce an acre of wheat ran from 15 to 20 man hours. At that point farm labour cost, if I remember rightly, was something in the order of 50 cents an hour.

Mr. KORCHINSKI: You were rich.

Mr. EMMERT: Mr. Korchinski, I have had the experience of working for 15 cents an hour on the farm. At any rate the cost of labour per hour on the farm was very much less than it is today. I understand that today it is possible to produce an acre of wheat for from four to six manhours. It has been stated, and I think it is true—it has been said by many authorities—that the increased productivity per man hour on the part of agriculture has been one of the

phenomena of this century that we live in. These figures bear that out, but in order to provide this tremendous increase in productivity per man hour, the wheat producer has had to make substantial increases in his capital investment per acre, particularly in respect of machines. It has been felt, apparently, on the part of the producers that this is a more economic method than to continue to employ 15 to 20 hours of labour per acre with the increase in the cost of labour per hour. I have no doubt that is a proper conclusion. I am sure that any of you who are farmers, or who are intimately acquainted with farmers, recognize that either you or they have had to make substantial increases in the capital outlay per acre. You have had to make adjustments in your total cost structure in other areas as well as in capital equipment—in the goods that you buy, in the supervisory labour that you employ—either you put in the work yourself or that you employ—in terms of mechanics expenses, that you certainly did not have when all you had was a labourer with a pitch fork and a wagon and all he had to do was grease the wheels.

Now, the data on the cost structure of the production of an acre of wheat—that is, the data on the cost structure relating to a farm study—I call your attention, is reported only by groups of farmers, not by individual competitive units. In fact, I am told that the economists who undertake these farm surveys that provide the information on productivity, on the cost of producing per acre, and so forth, must guarantee that the financial results of any individual farm—that is to say, of any competitive production unit, will not be revealed.

Now, I have made the point before, and I make it again. We would like to think that any company appearing before you would have a similar guarantee from the House of Commons and this committee, as to the secrecy of the information that you may elicit.

If what I have said is true in respect to the privacy of information relating to farms, then I think it follows that it must be even more true in respect to a commercial enterprise that is responsible to thousands and to tens of thousands of shareholders and which has to carry the responsibility of its workers and their welfare.

The parallel, I think, is very, very direct. Farmers have made very large adjustments in capital and labour ratios, and so have we.

The best example in our company of a really forward adjustment in respect to the ratios of labour used, that is, as a capital employed, is in respect to our Detroit tractor plant. In that facility which is now only four or five years old, we think we have the world's most efficient assembly plant. We think we can assemble a tractor with fewer man hours in that plant than in any other plant in the world. But we do that at a very, very substantial capital cost. We do it because it is still to our advantage, and to our customers' advantage, to take that route rather than to absorb the continuing increase per hour of labour.

We also have asserted and we shall continue to assert that decisions regarding substitution of capital for labour must be taken by us. We cannot be second-guessed on that; and that was begun in a very highly competitive situation.

I would like to point out again that this is the same problem that you and your constituents as farmers have, when you attempt to compete with your own neighbours.

We do feel, contrary to the opinion that we may have left with the committee—we do feel that on an industry basis this committee should have full information on the changing cost components of labour and productivity, and of such relevant matters.

Once more I would like to respectfully suggest that an analysis of the data in the annual D.B.S. reports, entitled the agricultural machinery industry,

would on an industry basis yield proper answers to very many of the questions which have been raised. Without wanting in any way to suggest an instruction to this committee, may we present another idea. Your Department of Agriculture economists could render a most valuable service to this committee by analyzing these D.B.S. reports. Personally I am confident, and the group with me share this confidence, that the results of such an analysis, instructed by your chairman and your committee members, would then place the committee in a position to answer for themselves many of the questions which have been raised.

Mr. Chairman, while the hours have been long and not every moment has been absolutely pleasant, I can assure you, and I would like to assure each of the members present, that we leave Ottawa with absolutely no animosity toward the objectives of the committee, toward the procedures that have been employed, nor toward any of the individual members of this committee.

We thank you, sir, for your courtesy and for the courtesy of your members.

Mr. HORNER (*Acadia*): Mr. Chairman, just before the committee adjourns, as the mover of the two motions which have perhaps put the company in an embarrassing position, I would like to try to explain a little further what we are after to some extent and in a general way. I am sure I will not take too long if you would allow this.

The CHAIRMAN: Does the committee agree?

Agreed.

Mr. HORNER (*Acadia*): This whole question of cost came out of the answers,—at least to my mind—which I was trying to get from the annual report. The company lists manufacturing expenses, general engineering expenses, interest and so on. It lumps the cost of goods sold as \$390 million. I tried to ascertain what part of that cost is attributable to material, what part is attributable to labour, and what part to cost of factory burden, such as heat and fuel. In the agricultural implement industry report put out by D.B.S., and subscribed to by a long list of manufacturing firms in Canada—including the three manufacturing firms located in three different spots by Massey-Ferguson—there are statistics. On page 6 it lists for various years going back to 1929, the number of establishments, the number of employees in these establishments, the amount of salaries and wages paid out in these establishments, and it goes on to list the cost of fuel and electricity in these plants, the cost of material to these plants, and the value added by manufacturing. Then it goes on to list the gross sales and value of the products.

In making the motion I was trying to explain and simplify what I thought the committee actually wants. I do not think all companies would have to subscribe to that to the letter, so long as they gave the committee some breakdown of the cost of material, some breakdown as to the cost of labour over the years. Massey-Ferguson must send in statistics to D.B.S. It is against the law for D.B.S. to reveal those figures. It is against the law for D.B.S. to break down those figures and tell the committee what Massey-Ferguson is sending in in the way of costs and materials for those three plants. Therefore, the only one who can actually do this for the committee is the company we have before us.

In my second motion I asked that it be split up into the wage bill, split up into administration, distribution, and actual production. To me this does not seem to be impossible, because the companies send in for this report the total amount paid out in salaries and wages. Surely they have this split in half at least. If they do not feel they can divide it into groups, I suggest we might let them split it up in any way they wish and give the committee some idea as to whether the proportion of cost going into farm machinery, directed towards salaries of employees, has increased or decreased; the same in respect of produc-

tion workers, and so on. This particular company before us has said that the trend is towards lighter more manoeuvrable tractors. So it stems from that that material may be less; I do not know.

I hope that the companies coming before the committee will try to present some of these costs broken down in the way suggested by the two motions. They may not be able to break them down exactly if they do not have the figures available, but perhaps they would break them down in some manner.

Mr. TUCKER: I hope the witnesses will not leave us thinking there are any chances of losing their jobs or that there are members on this committee who know more about their work than they do. Neither do I believe we have members of this committee who are seeking employment with Massey-Ferguson. They are all working here together, having in mind the good of our great agricultural industry.

Mr. HENDERSON: I move we adjourn.

The CHAIRMAN: Mr. Emmert has just one more sentence.

Mr. EMMERT: Earlier in the evening I said we invited your Committee, Mr. Chairman to visit us in Toronto to see something about our company and our engineering test center there. Apparently I failed to make it clear that we would wish you to do this as our guests, at our expense. I have directed Mr. Hickey to work through Mr. Lyons in order to arrange a suitable time. Most sincerely I do hope that as many of the members of this committee as can possibly arrange it will be coming up to take advantage of our invitation.

The CHAIRMAN: Mr. Emmert, I think I can speak on behalf of all the members of the committee and say that we certainly appreciate the very kind invitation to visit your plant in Toronto and see the test center north of Toronto. I hope it will be possible for the committee to accept that invitation, probably some time later on this month. Again, on behalf of all members of the committee, I wish to thank the witnesses for appearing before us.

Before adjourning the meeting I wish to inform you that we shall meet again on Monday May 8, at 9.30 a.m. in this room, when the witnesses will be the Canadian federation of farm equipment dealers.

7
HOUSE OF COMMONS
Fourth Session—Twenty-Fourth Parliament
1961

STANDING COMMITTEE
ON
Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 7

Respecting
PRICES OF FARM MACHINERY

MONDAY, MAY 8, 1961

WITNESSES:

From the Canadian Federation of Farm Implement Dealers: Messrs.
A. E. Charette, President; W. A. Shields, Vice-President; L. L. Sykes,
Executive Secretary; D. R. Kennedy, Q.C., Legal Counsel; W. Dickson,
President, Manitoba Association; G. C. South, President, Ontario
Association; W. J. Allinson, Vice-President, Ontario Association
and J. X. Levesque, Vice-President, Quebec Association.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-</i>	Horner (<i>Jasper-Edson</i>)	Regnier
<i>Kent</i>)	Horner (<i>The Battlefords</i>)	Ricard
Clancy	Howe	Rogers
Clermont	Kindt	Rompere
Cooper	Knowles	Smith (<i>Lincoln</i>)
Danforth	Korchinski	Southam
Doucett	Latour	Stefanson
Drouin	Leduc	Tardif
Dubois	McIntosh	Thomas
Dupuis	Michaud	Thompson
Fane	Milligan	Tucker
Forbes	Montgomery	Villeneuve
Forgie	Muir (<i>Lisgar</i>)	Webb—60.
Godin	Nasserden	
Gundlock	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, May 8th, 1961.
(13)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Argue, Badanai, Boulanger, Clermont, Doucett, Fane, Forbes, Gundlock, Hales, Henderson, Hicks, Horner (*Acadia*), Howe, Korchinski, McBain, Milligan, Montgomery, Muir (*Lisgar*), Noble, Pascoe, Peters, Rapp, Regnier, Smallwood, Southam, Stefanson, Tardif, Thomas, Webb.—(29).

In attendance: From the Canadian Federation of Farm Equipment Dealers: Messrs. A. E. Charette, President; Mr. W. A. Shields, Vice-President; L. L. Sykes, Executive Secretary; D. R. Kennedy, Q.C., Legal Counsel; W. Dickson, President, Manitoba Association; G. C. South, President, Ontario Association; W. J. Allinson, Vice-President, Ontario Association; J. X. Levesque, Vice-President, Quebec Association.

The Chairman introduced Mr. Sykes and thanked him and his President for supplying to the Committee copies of 1961 Official Tractor and Farm Equipment Guide.

The Chairman introduced Mr. Kennedy, who, in turn, introduced the Members of the delegation.

Mr. Sykes presented the brief on behalf of the Canadian Federation of Farm Equipment Dealers.

The Committee questioned the officials of the Federation on their brief.

At 12.00 noon the Committee adjourned until 3.30 p.m.

AFTERNOON SITTING

(14)

The Committee reconvened at 4.30 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Clancy, Clermont, Fane, Forbes, Gundlock, Hales, Henderson, Hicks, Horner (*Acadia*), Howe, Kindt, Korchinski, McBain, Milligan, Montgomery, Muir (*Lisgar*), Noble, Pascoe, Peters, Smallwood, Southam, Stefanson, Thomas, Villeneuve and Webb.—(26).

In attendance: From the Canadian Federation of Farm Equipment Dealers: Mr. A. E. Charette, President; Mr. W. A. Shields, Vice-President; Mr. L. L. Sykes, Executive Secretary, Mr. D. R. Kennedy, Q.C., Legal Counsel; Mr. W. Dickson, President, Manitoba Association; Mr. G. C. South, President, Ontario Association; and Mr. W. J. Allinson, Vice-President, Ontario Association.

Moved by Mr. Clermont, seconded by Mr. Boulanger,

Agreed.—That purchase agreement of Commercial Credit Corporation Limited (*See Appendix "A"*) and Conditional Sales Agreement of Massey-Ferguson Limited be made appendices to this day's Minutes of Proceedings and Evidence. (*See Appendix "B"*).

Agreed.—That regulation regarding Repurchase of Parts by the Company (*See Appendix "C"*) and statements prepared by Dominion Bureau of Statistics and the Department of Agriculture on request from the Committee be made appendices to this day's Minutes of Proceedings and Evidence (*See Appendix "D"*).

Agreed.—That insert to brief of Canadian Federation of Farm Implement Dealers brief be made an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "E"*).

The questioning of the officers of the Federation was concluded.

The Chairman, on behalf of the Committee, thanked the officers of Canadian Federation of Farm Implement Dealers for their appearance.

At 6.10 p.m. the Committee adjourned until Friday, May 12th at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

MONDAY, May 8, 1961.

The CHAIRMAN: Gentlemen, the committee will come to order. I see we have a quorum this morning, and we are very pleased to have with us this morning the Canadian federation of farm equipment dealers from all across Canada. Before we introduce them, I would just like to introduce the secretary first, Mr. Len Sykes. I have known Mr. Sykes for some years. I have worked with him along with the Ontario group improvement association who staged their big farm equipment dealers shop in the coliseum in Toronto. I am sure that from our end of it we have had excellent assistance from Mr. Sykes, and I am sure Mr. Sykes will give us excellent guidance here today. I would also like to mention and express the committee's appreciation to Mr. Sykes for presenting to members of the committee the official tractor and farm equipment guide for 1961. I am sure members have found that very useful in their deliberations.

The federation has with them today their counsel in Mr. D. Roy Kennedy, Q.C., sitting at the end of the table here. I am going to call on Mr. Kennedy to introduce the members of the federation.

Mr. D. ROY KENNEDY, Q.C. (*Legal Counsel, Canadian Federation of Farm Equipment Dealers*): Thank you, Mr. Chairman, hon members. I am counsel for this group. I shall take no part in its proceedings, but I do want to have the opportunity of introducing to you the representatives of this group who are here today and who are available to answer questions put by members arising out of the statements in their brief.

Mr. Sykes has already been introduced as executive secretary of the federation, and beside him here is Mr. A. E. Charette from Sudbury who is the president of the federation. Then there is Mr. W. A. Shields from Vulcan, Alberta. He is vice-president of the association and president of the Alberta association. Next to him is Mr. William Dickson from Brookdale, Manitoba, executive of this group and also president of the Manitoba association. Next you have Mr. George C. South from Heathcote, Ontario who is executive member and president of the Ontario association; Mr. W. J. Allinson from Kingston, Ontario who is vice-president of this group and vice-president of the Ontario association; Mr. J. X. Levesque from Mont Joli, P.Q., vice-president of the Quebec association.

Mr. L. L. Sykes, executive secretary of the federation and executive director of the Ontario association that includes supervision of Quebec and the maritime provinces, came to the associations in 1955. His prior years in business management and accounting provided him with an inquiring, analytical nature together with first hand experience, for he had administered to five different average farm equipment operations.

The six years with the associations has given him a very broad knowledge of every phase of the farm equipment industry, for his activities included him in assemblies of farm equipment retailers throughout North America as well as the British Isles. It was his privilege to address an annual dinner of the A.M. & T.D.A. in London, England, attended by 500 industry leaders, including members of the European engineers. His ability to serve his employers has been further enhanced for he frequently is invited to participate in manufacturers' and distributors' gatherings and numbers among his vast acquaintances most

leaders in the farm equipment field. Mr. Sykes has toured factories both throughout North America and abroad and has twice been asked if he would attend meetings of the committee of European agricultural machinery manufacturers, usually held in Milan, Italy. We understand that such a suggested invitation has not been proffered to anyone else in North America—most unfortunately his associations' abilities were not such as to finance his attendance.

Mr. Sykes would, therefore, appear to be well qualified to be the steward in this particular instance.

The CHAIRMAN: Mr. Sykes, will you present the brief now?

Mr. L. L. SYKES (*Executive Secretary, Canadian Federation of Farm Equipment Dealers*): Mr. Chairman, hon. members, it will probably be a lengthy procedure. Canadian federation of farm equipment dealers is adequately explained by its name, that it is and does incorporate the provincial bodies of farm equipment dealer organizations. In 1945 when the provincial associations were being founded, the need for a dominion-wide body was recognized and so Canadian federation came into being. At that time the provincial organizations of Alberta, Saskatchewan, Manitoba and Ontario were affiliated. Dealers who became members of their provincial organizations automatically became members of the federation. The obligation then, as it is today, suggested that:—

As a member of the retail farm equipment dealers' association I shall avoid unfair trade practices and shall seek profitable trade upon the merits of the machines I sell. I shall endeavour at all times to promote harmony and better business conditions by striving to be an honourable competitor, a good citizen, and a good businessman.

One of the prime purposes at the time of organization was that some type of licensing of farm equipment dealers be made effective by and through the association. It was further intended that anyone proposing to become a farm equipment dealer must submit to examination by the association. These conditions made for the association a most difficult road ahead for the manufacturers strongly objected to the program of licensing and examination and withheld at that time and down through the years their tolerance of the organization.

A number of achievements can be credited to the dominion-wide organization—their representation at Ottawa in connection with importation of farm equipment, as well as farm equipment parts; dealer problems involving major manufacturers have been presented before the supposedly offending company. Most valuable perhaps, has been the annual meetings bringing together farm equipment dealers from the provinces for an annual examination of their activities within the industry; the exchange of views and programs as they have applied to the retailing industry throughout the country. Stabilization of prices was one of the early problems recognized by the association and since as time passed the licensing ideas moved into the background, Canadian federation endeavoured to provide assistance to all dealers across Canada; a yardstick for trade—the trade-in-guide, produced annually by the association which obtains the suggested list prices of the major pieces of equipment from the companies and publishes these in book form, together with serial numbers and a scale of values for trade-in goods. This book is widely used by dealers, manufacturers, even appraisers, insurance companies, banks and many others, in their daily business involving farm equipment.

The provincial associations lay claim to numerous services to the dealers and the industry. They provide protection for the dealer, his employees and their dependents through group hospitalization and life insurance. Some assist the dealers in their general insurance coverage, also on a group basis. They

continually keep their membership informed of unscrupulous "fly-by-night" dispensers of agricultural products. They encourage and support group meetings, bringing together the farm equipment dealers on a common ground to discuss and resolve their day-to-day problems. Educational programs are provided, as well as materials gleaned from myriad sources, all tending to assist the dealer in his day-to-day activities. Excursions to the British Isles have been sponsored by the association to provide the dealer with better understanding of the manufacturing of goods, to see foreign types of goods and to generally examine the methods of others. Annual conventions are held bringing together top executives of manufacturing and distributing who exchange their ideas with the dealer groups to further encourage better business understanding and practices.

At Toronto, annually in January, an association sponsored display of farm equipment and allied items is held. The purpose here is to encourage all manufacturers to present their latest designs and developments for the viewing and examination of the farmer who is invited to compare and evaluate that he may decide the machines and equipment best suited to his individual needs.

This provides an opportunity for the dealer, as well, to acquaint himself with all the equipment other than the particular machines that he himself handles.

This is an over-all effort designed primarily to assist and familiarize all who participate.

The true value of the trade-association may be a debatable subject even by those who work closest to its efforts. In 1952 and 1953 the work of the various organizations in Alberta and Saskatchewan in the interests of farm safety aroused Canadian federation to the realization that other provinces were sitting idly by while the farm population were being allowed to maim and kill themselves indiscriminately through lack of education and care. A farm safety week for all of Canada was sponsored by the federation in 1956 and has continued.

Our association, in cooperation with the Canada farm show, produced and distributed three one-minute short films on the subject of farm safety during the week, July, 1960. The cost of \$2,000 was deemed to have been most worthy since 65 Canadian and 3 U.S. television stations used these items throughout farm safety week.

This has encouraged and aroused considerable activity where previously none existed.

Numerous times, in fact all too numerous, needs for the dealers have been recognized and promoted either by the federation or the provincial association, only to find that original intentions or developments were snatched from them and put to use for the glorification of others who were bigger or better financed.

In 1958 the farm equipment dealer did not have a situation that permitted him to compete on an equal basis with the automotive dealer. He was actually unable to sell his investment-recovery machine against the luxury pleasure-providing automobile all because of the limited finance program available; farm improvement loan through bank and government or a form of finance offered by his own company. Farmers desired to retain the farm improvement loan privileges for cattle transactions, feed and seed purchases or both. The company plan, if used, excluded the dealer from his volume or cash discounts. None of the numerous finance companies accepted farm equipment because of what they claimed the high risk involved. The farm equipment dealer could not say to his prospect: "For \$55 and your trade-in you can take home that nice, shiny, new tractor", as could the automobile dealer.

The association in its efforts to serve, sought either to establish or to secure a company dealing exclusively in a finance program fitted to these needs. There are associations who did operate, for want of better, such a program.

The Canadian farm equipment dealers found in May, 1959, that a new day was dawning, for through the association's determination, the needed company was found and began operation. The company's experience to date indicates the acceptance and value derived.

Only a very short period of operation, however, was necessary until the major companies overhauled their finance plan and the dealer was well advised to return to its use if he wished to retain the company's blessings. Absolutely no monetary return of any kind from any source reached the Association. It is also interesting to note that today most finance companies are in, or desire to be in the farm equipment field.

Again, the association noted the desperate need for business management instruction for the dealer. While the association has provided a bookkeeping system for dealers for several years—such systems will not operate themselves. Again there are associations who have provided such educational programs, even in farm equipment for several years, successively too. The Canadian associations accepting experienced advice from those who are operating, endeavoured to do a better job—profiting by the experienced recommendations. In May, 1960, such a program was instituted—it was generally conceded that here was the best instruction course of its type ever produced. Companies were invited to contribute thoughts, ideas and suggestions, even given the privilege of allowing, if they desired, certain of their own preferred systems to be taught to their own dealers. No noticeable assistance was forthcoming from those who make farm equipment dealers. The dealers, apparently, unaware of their own needs failed to avail themselves and after about eleven months the association was unable to finance the project.

Here again recognition of the need was made evident and today two companies have embarked on a similar plan for their own dealers exclusively. Nothing in the teachings could be construed to be detrimental to any company and by the association fostering the program for all, the needed volume would have been possible at a much smaller cost. The association has no quarrel other than that all efforts must be financed and should be done as low as possible for somewhere, sometime, someone must pay.

A dealer member is encouraged to enjoy any service that he may require; such as, representation to his distributor; information on legislation; municipal, provincial or federal, from his association. He knows that the employees of the association as well as the elected officers are deeply concerned at all times with all matters pertaining to his chosen vocation of farm equipment retailing.

Farm equipment dealers arrive at their vocation through a diversified number of channels; some following in the father's footsteps, others by chance because of inherited desire toward mechanical things. There are those who because of their personal ability and strategic location in the community were persuaded to be farm equipment dealers by an enterprising manufacturer. More frequently, perhaps, we find that the farmer who found that he could no longer operate a farm because of health reasons, or otherwise, realizing that his only background and training was in things agricultural, turned to the providing of supplies to his farm neighbours when required.

It has been frequently mentioned within the industry that "so and so" was a better horse trader than anyone else in the district. If we refer to graph No. 1 we will realize that with the passing of the horse, the horse trader, of necessity, had to look to other fields.

With this background and the daily involvement of the person in this business, there would seem to be little doubt that the farm equipment dealer is the man closest to the farmer himself.

From the first sign of spring until the first fall of snow the farm equipment dealer must be alert and available almost 24 hours a day, seven days a week. He must be first at his place of business in the morning and before

anyone of his farmer customers require something from his shop. Now in this age when it is no longer necessary to work on the land during daylight hours only, for many use their tractors and equipment, lighted late into the night, he must, therefore, anticipate requirements well into the late hours of the evening. Pity the farm equipment dealer who lives within 10 miles of his place of business, for numerous will be the rappings on his door, on Sunday or at any other time during the day or night that he fails to have his business door open. It is even possible to refer to this business man as you might to a doctor—always on call.

He is frequently required to attend ailing equipment on the back 50 acres, miles from the service shop. All of these exacting demands must be performed by the dealer-owner-manager-salesman-serviceman and jack-of-all trades for he, many times, because of provincial labour laws is not allowed to delegate after hour work to employees. This is his life as he, himself, has chosen it.

The prospective farm equipment dealer, either through his own desire and inquiry, or not infrequently, because of the interest of some major manufacturer, begins to negotiate the obtaining of a franchise to handle farm equipment. Most dealerships revolve around one major line of equipment, i.e. Massey-Ferguson, J. I. Case, John Deere, etc. It is then necessary to satisfy the major company that the prospective dealer has the rudimentary qualifications; a good reputation in the community, financial stability, together with honesty, fair sales ability, some mechanical background and generally, some business ability that would fit him for management. His location must be well placed in the district and it is advisable that he have premises suitable to display both outside and in, a proper setup for storage of parts and suitable premises for service which, of course, will necessarily have to be equipped.

In this year 1961 the tendency is to seek a location, preferably on the outskirts of the village or town, on the main travelled thoroughfare.

From condensed survey results we can see the classifications of dealerships and various information pertaining thereto. In the majority of cases the major companies are not too demanding in their requirements at the outset, but none the less the more attractive the situation, the more anxious the company. One of the greatest difficulties perhaps is the number of major companies all seeking representation in every district and so there are times when we have far too many farm equipment dealerships within a given area. Tremendous strides have been made in mechanization and improvements within the farm equipment industry. However, there might be doubt as to all things having kept pace with this progress. Dealerships over the years have been established in profusion, but such a procedure should be defended for it was purely to provide the service being demanded by the customer. The number of dealerships suggests that while they were established for convenience sake within driving distance of each other, it is to be regretted that the mode of driving was by horse and buggy. Today with the accelerated method of driving—automobile—this leaves the industry with a superfluity of outlets.

Competition, they say, is the life of trade, but it has been noted that because of an overabundance of supplies, competition becomes a 'price war'.

It should be noted that some companies today failing in their efforts to secure a dealer locally, open what has become known as a company outlet or company store. In past years, from time to time, there has been a rise and fall in this program of a company marketing its own goods. At one time, some years ago, all major companies in the United States opened and operated a number of their own stores. This appeared to be a concentrated effort unsatisfactory method of selling.

The present day practice in Canada appears to be a revival of that condition and there is doubt as to its service value. It very definitely is detrimental and has such an effect on the farm equipment dealers covering a very wide area around such a place of business in that it increases competition to a great extent, even affecting the particular company's own franchiseholders. Here we have salaried employees seeking volume sales and a profit picture to justify their existence to head office, working in competition with the free enterprise dealer. Our way of life today, however, excludes patience, time loss and restraint of any kind and we see the farmer-customer looking for, in fact, demanding immediate service and he is gleeful if he has a well established dealership next door to his farm operation.

The dealer receives his machines—tractors, combines, balers, etc.—from the company branch or warehouse, either by rail, transport, or in some instances, his own trucking facility. In the majority of instances, these goods are provided on a consignment basis, payable when sold, or a form of settlement in a given period—perhaps 10 per cent of the cost in six months and a carryover of the balance for six months, or some such individual arrangement.

October 30th is the time of year that by mutual agreement the dealer and his company review his season's activity; they appraise their positions. This is known as "settlement time"—the time of accounting and payment. Because of this settlement time we sometimes find that the dealer must hasten to meet his payment date; in other words, this is the time when he needs money and also the time astute purchasers do their shopping. The dealer in order to meet his demands will unload for a price.

Along in November—again this applies to most companies—the company district salesman or blockman as he is known, visits the dealer to book his spring order. This is frequently based on the past season's sales or the previous year's pre-season order. There is a slight inducement in this connection in that the dealer is not committed to any payment, but he is required to accept deliveries as stated. This practice might suggest a certain dependency by the manufacturer upon the dealer in just what the plants should produce in the year ahead. The average discount, company to dealer, on machines amounts to 20 percent originally; with a further spread of 4 percent in connection with volume, cash or special sales.

Let us here emphasize the matter of *volume sales*. This is something of a bug-a-boo to all Farm Equipment Dealers for they are continually under pressure from the manufacturer to secure a higher volume bracket.

May we at this point return for a moment to the qualifications again of the Farm Equipment Dealer and his training. Once he has become a franchiseholder of a major manufacturer, he is *called* from time to time (we emphasize called, rather than invited) to attend company-sponsored meetings. For the most part these meetings are sales schools; as well as instruction and training for the purpose of increasing company volume, yet flavoured with an atmosphere of training for the Dealer. Companies also have schools, known as Product Educational Schools. These are to acquaint the Dealer with the particular abilities of his company's machines over that of competitor equipment.

Of late years, some companies have, and in some instances because of other companies' practices, taken large groups of their own dealers and sometimes dealers of other companies, on extensive visits to far away places under the guise of product education to display the latest developments and new models. When the entertainment and trip is over the Dealer sometimes finds to his consternation, that he has signed a sales order for a much larger amount of goods than he can conveniently handle.

Service Schools are conducted by the companies, and Dealers are encouraged to send their personnel so as to keep informed on the mechanical functions and services required for their own company's equipment. Like the automotive industry, however, the Farm Equipment Dealer's Shop is required to work on the variety of equipment found in the territory. The farm equipment dealer is required to pay the costs involved of his visit or that of his employees. Oftimes such schools are located at the factory, not always in Canada. This practice applied to dealer-customer welfare is commendable; however, the dealer is assessed, either at the time of the school or later on a monthly invoice, for the costs of the school or program. When we examine the individual dealer's advertising costs, we would do well to realize that while the localized advertising is not too great, a tremendous amount of high-cost advertising space appears continually, month after month, with the suggestion that this is company promotion—much of it is, but also we find that the dealer's monthly invoice from his company contains a pro rata amount assessed on him on the basis of his sales to support this general advertising campaign.

Further along an insert will be found that deals with the farm equipment dealer's sales program and since this information contains the other functions of the farm equipment dealer related to sales of new equipment we will endeavour to explain some of these points.

First of all, it is a rare occasion any more when the farm equipment dealer will make an outright sale of a piece of new machinery, i.e., tractor, combine. There usually lurks somewhere a trade-in of a piece of used equipment. The farmer-customer rarely, if ever, relies upon only one quotation. In fact this is that particular place where his horse trading ability comes to the fore. It is a common practice for a farmer to visit a farm equipment dealer to inform him that he has been offered, for example: \$800 allowance for his trade-in tractor which actually is worth on the open market only \$500. It is quite easy to understand that if he has been offered \$800, he seeks \$900 or more at this point.

It is not uncommon for the farmer when he fails to have a piece of trade-in equipment himself, or is unable to resurrect one, to seek from his neighbours something that might be used for trading purposes. Because of the number of dealerships, the wide variety of goods and so on; in fact, too great competition together with our modern methods of travel, the customer has a wide choice of deals and is able to apply astute bargaining at all times. It cannot be stressed too strongly that the farm equipment dealer seldom, if ever, realizes anything near the suggested list price of his machine, if he succeeds in getting the deal. Frequently also, the customer suggests that his tractor is of 1955 vintage, but when the dealer, using his trade-in-guide, checks the serial number, he finds that he has a machine of 1954 or possibly 1953 manufacture. Also, the condition of the trade-in machine may prove to be such that extensive repairs and overhaul is necessary before it can be offered for sale.

Over the past 3 years the farm equipment dealers who are located in the proximity of border points have found themselves in a most difficult situation. The farmer learning of huge monthly auction sales of equipment being held at points in the U.S.A. journeys to these sales and bids what he feels is a good tractor at an auction price. The machine is trucked across the border to his home farm where, after a week or so, he finds that all that 'sparkles and shines' is not sound efficiency. The machine's tires are filled with tar, now revealed by the constant heat of the sun's rays. The ether doctored motor no longer responds to the starter. The farmer also finds that his local dealer is not stocked with parts for the machine because it was a U.S.A. original and is not always similar to the products provided by the Canadian farm equipment dealer.

The original need was for a tractor on the farm and so a deal is sought at home from the local area Dealers, but here again we have the farmer seeking

to secure in trade-in value more than he paid at the auction, plus the costs of his day out at the sale and the transportation of the equipment to his home.

It must also be conceded that the farm equipment dealer, in some instances, has also sought to augment his used equipment lot by visits to those out-of-the-country auctions. He too has found that after closer examination of his purchases, considerable overhaul and service was necessary before he could conscientiously offer the equipment for sale.

Two other factors in this same connection plays a role in the Canadian farm equipment marketing program. Cattle truckers with a one way load to U.S. points secure a return load by visits to the auctions and later peddling this equipment up and down the country. There are also those U.S.A. truckers who make a business of dickering in this kind of equipment on sorties into our Canadian territory.

Not unlike the automotive industry, sales are sometimes made to fair thinking customers on the merits of parts availability and service qualifications.

Parts arrive at the dealer's place of business usually on a cash 30 day basis. A good dealership maintains good parts records, handy distributions and good counter service for which he must employ a fulltime man for dispensing of these items. A tremendous amount of care, handling, planning and thought must be put into the dealer's parts management; not to mention a fair investment. If he is to be prepared for the busy season and meet his obligations to his customers he must be well stocked. If he is a dealer of long standing, from his records, if he has been able to employ competent help or devote enough of his own time to maintaining of these records, it may be possible to anticipate the season's needs. Time changes many things. We have seen an overabundance of distributing depots. We have seen a scarcity of such. Both can be damaging. Where the company has established too many such places, it is inevitable that their costs will be high. Where there are too few, there can but be times when there will be delays.

In the last 2 or 3 years there has been a reduction by some manufacturing organizations in such distribution depots; consequently, we would expect reduction in cost of maintenance. Farm people might well suggest that there should be reduction in parts costs to the ultimate user. Let us realize that the greater the distance, the greater the dealer's responsibilities. In instances of this kind, the company insist that the dealer in November place a parts order sufficient to meet his requirements for the entire season ahead. The supplier requires that this order be at least 60% of the previous annual parts purchases.

Most companies permit the dealer to return unsold parts, 6% net (dollar value) of the previous year's total purchases for which he will be re-imbursed on the basis of 50% of the invoice price, i.e. \$10,000 parts purchase, \$600.00 return parts, re-imbursed \$300.00. This does not apply to obsolete parts that may have accrued in the dealer's stock. The recommended disposal in this instance, is that they be sold by the dealer for scrap.

The closing of a branch or discontinuance of a supply depot makes it imperative that the dealer's overall requirements must be stocked by him where he previously relied upon overnight delivery from the branch when it existed.

Warranty policy on equipment is not as definitely established as we recognize it in the automotive industry. There are statements to the effect that warranty will be provided for a period of one year or a certain number of working hours. Here the dealer is required to do the warranty service and supply the parts. A variety of re-imbursements exist; in some instances, the part that failed must be returned to the company in order to get credit for the new piece, or in some instances, the blockman has the authority on his visit to pass on warranty parts. In some instances, arrangements are to re-imburse the dealership 50% of the usual labour charge.

This is quite commendable, possibly in principle, but utterly fails in practice. At the height of the busy season, understaffed as most dealerships are, records are far behind and not sufficient time is devoted to close tally of warranty parts and labour. Something else creeps into this practice, however. Most dealers are close friends with their customers, so much so that the customers presume upon this friendship to extend far beyond the warranty period, service and repairs for the equipment they have purchased from the dealer. Dealers have stated that they have been asked to service a machine gratis that they had sold 5 years before. The sales record indicated that over-allowance was rampant at the time of sale as well.

We might well take a long and serious look at the service end of this business. Unlike the automotive industry, mechanics in the farm equipment shop are not required to have a licence, or possibly it might be best to suggest that the farm equipment mechanic is not provided with a certificate of merit commensurate with his ability to do a first class mechanical job. We, as an association, may be guilty of offence in this matter in that we have not pressed for such certification. Let us for a moment remember that the farm equipment dealer, himself, had certain mechanical background when he became a dealer. He, no doubt, obtained or secured through his company, and possibly through others, quite a good training in his work. Again we must realize that the dealer himself cannot be all things in a dealership and so seeks out employees. There are mechanics holding automotive licences who prefer working on farm equipment, or through circumstances, find themselves serving the farm equipment industry.

The difficulty the dealer encounters, however, and this has been very intensive since the introduction on a much greater scale than previously, of diesel type tractors is the securing of a top-quality, experienced mechanic in his more or less isolated location. Such a mechanic can secure a much higher income in larger centres and usually prefers such a location.

Let us look for a moment at the dealer-mechanic relationship. It has been generally conceded in the past that a business employing a mechanic at \$1.50 per hour would normally charge \$3.00 per hour for his labour time. Generally speaking the average citizen would immediately say that the dealer is making \$1.50 per hour for the labour sold. This most certainly is not the case as the following illustration based on sound information will imply.

ACCEPTABLE RATES

If we have an average mechanic in our shop working 48 hours per week at a wage of \$70.00 per week or \$280.00 per month, your actual cost of having this man on your payroll is as follows:

	Per Hour
Mechanics Wage	\$1.50
This is on an hourly basis. (\$70 per week for 48 hours)	
Dominion holidays (7 days/yr.) .....	.037
Annual holidays (10 days/yr.) .....	.052
Coffee breaks (30 mins./day) .....	.094
Group Insurance & Unemployment Ins. ....	.052
Unassigned time (1 hr./day) .....	.188
<hr/>	
Total Direct Labour Cost	\$1.923

The above items are all essentials, whether or not they are generally admitted or recognized. The suggestion is that there remains but \$1.077 from labour sold to support shop overhead: equipment depreciation, new equipment purchases,

supplies, heat, light, etc. Only a very small percentage of dealers themselves are aware of this situation and because of this, are not any better informed than those who feel he is realizing a high profit on labour sold.

Also, not all labour time can be sold, but must be devoted to internal reconditioning of used equipment and, of course, this is where we derive part of the resale price involved in the used equipment sales. One of the other problems amounts to the fact that there are high and low periods. It may be quite possible for the farm equipment dealer during the production season to pay a reasonable steady wage to his employees, but what about the off season situation? Work is slack, income is low, regardless, costs continue.

Two factors appear here: One, the farm customer who delays his overhaul and repair work until the peak season when he by his delay not only interferes with the dealer's operation, but reduces his own efficiency, certainly at a very high cost to himself. The association has provided to its membership suggested advertisements for use in their local papers during the winter months in an effort to encourage pre-spring get-ready. Generally speaking and from survey, the reaction of the farmer is not too gratifying.

The dealer in his desire to meet the demands of his customers, which all too often have no rhyme or reason as far as hours are concerned, secures from the proper government department permission to use his employees' services beyond the normal working day. In such circumstances, of course, the employees require additional compensation—time and a half at least. It is regrettable that in such circumstances, farmers' main objective is to get the job done while he himself is sleeping, if possible, and at the lowest possible cost.

Most of us are familiar with the average farm equipment dealer. Survey figures in our early graph indicates that the farm equipment dealer is not dependent upon his major company franchise only. It has long since been realized that, particularly in Canada with a one crop season, farm equipment dealers must have other items and in most circumstances these are things auxiliary to agriculture: water systems, poultry equipment, barn and stable requirements, fertilizers, insecticides, in fact seeds and sometimes feeds as well, dual dealerships with an automotive franchise. All these things are necessary so that the farm equipment dealer may hold together a general operation and provide employment for a normal staff over a 12 month period.

Working capital in any business, great or small, dictates that particular operation's ability. Farm equipment retailing is not, first of all because of its necessity to be relatively close to the consumer area, inviting to the investor. In fact, it is not too attractive to the man with an amount of money sufficient to an extensive operation. Dealers overhead and cost of operation frequently preclude sufficient employees to adequately serve the needs. In a recent instance, it was proven that the addition of a much needed salesman demanded so much extra that operating costs were placed in the prohibitive bracket in accordance with the ruling of the firm's accountant. This then directed that the owner must assume the salesman's responsibilities. Much too often similar circumstances does not allow the employment of even a bookkeeper or a parts man. This is because there just is not sufficient income. A situation that might in time rectify itself, but there is not the necessary capital to embark upon such a program.

Here then we see the farm equipment dealer and one mechanic doing their best to be all things. It is surprising how many times the dealer's wife is pressed into service as dispenser of parts or bookkeeper, when she is already overburdened with her household responsibilities and not experienced in the duties she must perform to support her husband's occupation.

There are as well some items in the implement end not provided by a major company and so in the industry we have what is known as 'short-line companies'. Usually the short-line companies do not have tractors, but may

as The New Holland Company and The New Idea Company provide balers, dryers, etc. Even beyond that we have manufacturers working through distributors who provide smaller items or specialized equipment.

These are all prospects for the farm equipment dealer and so there are times when the farm equipment dealer's reception office is well filled with travellers with no end of goods at wholesale. Normal rates of discount applied in these instances are similar to those previously mentioned; in fact much of the smaller items provide less discount, but it all provides the stock in trade of the farm equipment dealer.

Complete harmony within the suppliers does not always exist. There is much competition and rivalry to obtain the services of the best dealer in the area to handle these extra lines. Nor does the major manufacturer who has permitted the dealer his franchise entirely enjoy his dealer handling things, other than those he provides. There has been from time to time a program bringing pressure to bear upon the dealer to discontinue this offering of short-line items. Such pressure has been severe. Representation has been made in an effort to allow the farm equipment dealer to conduct his business without interference. Circumstances in an area does at times dictate what lines the farm equipment dealer will offer. He endeavors to meet demand.

We have noted with considerable interest that from time to time there is a hint that major manufacturers may be involved in a type of combine where farm equipment prices are concerned. Experience suggests to us that this is most doubtful. It has never appeared as if the companies have actually worked in harmony, as is prevalent in other industries.

An instance is known where 5 different blockmen did in the course of one week visit a franchise holder in an effort to secure his services for their particular company, to the exclusion of the franchise he already held. Each of these blockmen, and this can apply to dealers as well, are so deeply indoctrinated with the quality and ability of their own particular equipment that their friendship for each other is certainly superficial.

While there are no closed territories for the farm equipment dealer, there is an understanding that he has 'such and such' a territory. On one sale—a farmer had been approached during the same morning by a blockman, in company with his dealer located 3 miles to the west while later, the company blockman and dealer from 3 miles to the east, visited the prospect—all from the identical company. This is competition at its height.

Also existing in the industry is the pirate dealer who has possibly slightly more employees than he needs, plus a large transport truck. This dealer, handling "A" company lines, on a slack day would instruct his driver salesman to load a couple of tractors and journey on a seeking mission. Oftentimes the trip penetrates as far as dealer "E" handling "A" company's line. Before night-fall it has been possible to dispose of the tractors from the truck for the peddler has been able to offer a more attractive price because he knows that a tractor 100-150 miles distant from the original dealer will never require warranty service. Dealer "E" sooner or later is required to attend for service a machine from which he never did realize a penny.

It is generally conceded and common knowledge that farm equipment is big business. It may well be true, however, that our ability to properly comprehend the situation is buried in that huge pile of statistical figures. While the great number of surveys, graphs, diagrams, etc. points out to us that the farm machine population is both tremendous in number and extremely high in dollar value, we should take a close look at how it arrived at this position.

The process of providing can be visualized as a bucket brigade, each piece passing from hand to hand and when we realize the large number of farm equipment dealers who have played so many roles; none of them so terribly big, but all necessary cogs to the wheel, we might consider what is involved.

Using for comparative purposes 41 lines in the retail trade endeavor, the cost of goods sold by the Farm Equipment Dealer is exceeded only by 3 other businesses, while his gross margin of 18.67 per cent is less than 37 of these other business operations. His net operating profit of approximately 3.4 per cent, in this instance, is on a par with 12 like operations and is exceeded by 11 others. The highest being 11.2 per cent. The Farm Equipment Dealer is required to carry bad debts greater than 34 of the business organizations being used for comparison purposes. His inventory turnover per year is exceeded by 31 of these operations. When we look at the owner's compensation for his efforts, we find him at the extreme low of 2.2 per cent, and in this instance, he is exceeded by everyone of the remaining 40 business operations. (This information is taken from Dun & Bradstreet Reports.)

There have been good and not so good years in the past. There have been high points and low points; times such as war years when equipment was in short supply. The peak sales years 1948-1953 may have been the golden years for this was the transition period of mechanization; a time and condition not likely to re-occur for ahead now is the replacing of the worn out or obsolete equipment.

The dealer must remain to service, repair and provide parts for what he has supplied in the past. Yet, unless his profits have been such, and this is most doubtful, to provide him with adequate resources to cope with reduced sales he surely faces a problem. This condition is being felt generally throughout the industry. Many manufacturers, in whose hands the fate of the dealer remains, are today closing out the dealer who fails to reach a satisfactory volume condition. Emphasis here is the fact that a man who possibly has spent 25 years in the business must either find another company or another job.

The farm equipment dealer differs not in many respects to his fellow business man or, in fact, the average citizen. Costs generally have risen over the years:—labour rates, equipment, service equipment, repairing tools, management and accounting devices, insurance, light, heat and even water rates are much greater today than ever before. All these factors contribute to overhead generally and to business in particular. All too often the individual in his thinking fails to realize, even though he is well aware of his own situation, that regardless any action—even thought—costs someone money. This is so very true when the farm equipment dealer thinks that he might sell a tractor to a customer 10 miles away, but after making the trip, taking his time and the expense of travel, he finds that his competitor has been there first.

It is the thought of this organization in presenting this information that they should endeavor to refer to as many conditions serving the retailing of farm equipment as possible. There is no intention, premeditated or otherwise, to expand in any way, shape or form, beyond the functions of selling and servicing the equipment offered to the farmer. The Dealers of Canada are quite well aware that they, like all human beings, are not infallible; that there is room for improvement and the possibilities of a new or better way of doing their job. They would, therefore, at this time offer some thoughts and suggestions in an effort to be of assistance.

RECOMMENDATIONS

Suggestions have been made that testing of farm equipment might help. At present and for years past, Nebraska test figures have been used and generally accepted. Canada might well serve both farmer and the farm equipment dealer by the establishment of one central testing centre. The benefit to the dealer of such an arrangement would be the proof and independent opinion of the ability of his equipment to do the job as so stated. Such a centre might well prove most valuable by the expansion of its services to include the general

training and eventually, certification of the people involved in mechanical service within the industry. By adopting a general school through which one day all mechanical personnel should be required to pass, education and experience would not be confined to one line of equipment alone.

Since the farm equipment dealer, in so many cases, plays such a multitude of roles, this same national centre could serve industry by a further service of management and accounting training. This would facilitate record keeping, bookkeeping and overall supervision of so many factors that contribute to good business. Uniformity in this connection would surely tend to increase the general ability of the people serving Agriculture.

As conditions are at present, the farmer seeks out the farm equipment dealer who has exhibited particular ability to advise him in connection with the use of not only equipment, but fertilizers, insecticides and many of the other modern devices today being used on the farm. If this is so, will not the demands upon the farm equipment dealer increase as years go by and should he not prepare himself for such an eventuality? It would, therefore, appear that in addition to the services previously suggested for the centre, we might well add short courses in a great number of other fields.

The Association cannot stress too vehemently that for much too long the customer has been permitted to price the salesman's goods. Not in any other industry do we find the customer telling the clerk how much he will pay for the article. The fault, in this instance, may well lie with the dealer for a great variety of reasons:—insufficient knowledge of the costs of his overall operation, demand by his suppliers for volume sales, much greater competition than is actually necessary and last, but by no means least, failure by the Dealer to recognize his own requirements.

This suggestion that a form of licencing might be helpful does not particularly appeal, once again, to the free enterprise merchant. Much better he be regulated and supervised through a capable establishment concerned with his welfare. Too often licencing machinery fails in its operation by permitting for dollar consideration a licence to be issued, rather than on the basis of merit.

Adequate parts depots provided in accordance with the present suggested demand might well mean that every farmer would want to have a parts bin in his machine shed stocked with all the parts that he might need during a season's operations. Naturally this is quite impossible. On this basis who would be fortunate enough to find himself next door to the established depot and how many would not be satisfied? By the same demand who would pay the cost? If it is suggested to the manufacturers, it is our humble opinion that the cost of establishing and operating such a depot would most certainly eventually wind up in the retail cost to the farmer.

If at this time might be permitted a slight latitude we might refer to the provided information that there is a much greater import of equipment for Canadian use than there is of equipment manufactured within the confines of our own country. We would quite naturally expect that preceding presentations have justified this situation and again we have no quarrel with such a situation for we are well aware of production costs and their contribution to the eventual suggested retail price. If those who manufacture outside our boundaries and provide their equipment for our use, are assisting us by incorporating into their product raw materials which are available from Canada and it is possible for them to provide equipment on an equal basis with that manufactured by our own people, then the entire operation should be justified.

There may appear throughout this presentation an overabundance of problems concerning the farm equipment dealer. The intricate involvement of outside interests and contributing factors would seem to require intense explanation. Should the farm equipment dealer now appear, because of this presentation, to be other than a hard-working, public-spirited, free enterprising

businessmen, then it was purely coincidental. Business today is beset by no end of annoyances and problems and only intelligent, astute application of management can successfully pilot any business to the port of success.

Our presentation has as its purpose to explain, if possible, all those things that are involved and encountered by the farm equipment dealer in his daily occupation of selling, servicing and supplying the tools that increase the efficiency of farming across Canada and make that tremendous task easier, more profitable and more abundant for his efforts.

The inked-in marginal numbers will indicate the application of the point being discussed to appended material bearing that number. Appended materials are provided in an effort to assist a better understanding of the statements made.

Thank you very much.

The CHAIRMAN: Thank you, Mr. Sykes.

Gentlemen, we are now ready for questions to be directed to any of the witnesses who are here this morning.

Mr. HORNER (*Acadia*): First of all, Mr. Chairman, I would like to thank the Canadian federation of implement dealers for bringing before this committee a very full brief, which is documented by facts and figures. I am sure that it will be of great assistance to the committee.

My first question, Mr. Chairman, is in connection with a sentence on page four in regard to finance companies. You made the statement that a finance company was found and that this, more or less, brought the major companies into line, and then these major companies developed a plan to which most dealers were advised to return to if they wished to retain the company's blessing. You also mentioned in there that most finance companies are in the farm equipment field. I am wondering what finance company was found, and if you could give the committee some idea as to the names of most of the finance companies now in this field. I believe that most of them may be known generally—companies such as Traders Finance, General Motors Acceptance Corporation and so on. Would these companies all be in that field now, or could you give the committee some idea as to which ones are?

Mr. SYKES: The situation at the outset, sir, was that the risk was too great. For instance, a man would buy a combine, put it on finance, do custom work all fall, and when the season was over, he would leave it in the field and refuse to make his payments. The finance companies felt, as I say, that the risk was too great.

There was a finance company operating in the United States, namely, Dearborne, which later became Commercial Credit Corporation, who specialized in this type of financing. That is the company which we and others were instrumental in inviting to come and do the job for us in Canada I.A.C., these other companies you mentioned, as well as others, were the ones which did not care to participate to any great extent. However, today they all have developed an agricultural plan, but I may say this has only occurred within the last few months.

Mr. HORNER (*Acadia*): I have a further question. What percentage of the farm equipment sales are through company finance and, by "company finance" I mean either the farm implement companies or these other finance companies.

Mr. SYKES: May I ask Mr. South to answer your question?

Mr. George C. SOUTH (*President, Ontario Association, Canadian Association of Farm Equipment Dealers*): I would suggest that company finance companies and people like Commercial Credit are handling about 75 per cent of the financed farm equipment, and the other 25 per cent is probably being held by farm equipment loans.

Mr. HORNER (*Acadia*): A further supplementary question: Would they also handle used equipment?

Mr. SOUTH: Oh, Yes.

Mr. HORNER (*Acadia*): They do?

Mr. SOUTH: Yes.

Mr. FORBES: I have a supplementary question, Mr. Chairman. What rate of interest would these companies be charging in connection with this financing?

Mr. SOUTH: Compared with farm equipment loans at a straight 5 per cent simple bank interest, finance companies would probably charge 7 per cent on the finance type of interest, and the regular finance companies probably 1 per cent higher.

Mr. KORCHINSKI: You suggested that 75 per cent of the sales were through finance companies. What reason do you suggest for this? Is it the inadequacy of the farm improvement loan, or is it some other reason?

Mr. SOUTH: I think there are a number of reasons there. One reason is that many farmers have gone the limit on farm equipment loans; in other words, they have borrowed all the money their local bank thinks they should have. Other people like to keep that as a backlog for cash purchases of cattle and that sort of thing. We have a lot of people who do not qualify for those loans and, one reason for this is the fact that they may have some other job off the farm, which would disqualify them for the farm equipment loan. Also, there is the matter of industrial equipment, which most of the farm equipment companies handle now.

The CHAIRMAN: Have you a question, Mr. Muir?

Mr. MUIR (*Lisgar*): Yes, Mr. Chairman. I have a question in respect to another matter.

Mr. ARGUE: Mr. Chairman, before we leave this question, I have a supplementary.

Could the committee be given some samples of the kind of contracts that may be signed with finance companies? There is always an argument as to what the actual interest rate happens to be. The superintendent of insurance would give you a certain answer, and I am sure the companies would give a different one. It would be very helpful to the committee if we could be given two or three sample contracts which would show the interest rates that are, in fact, charged by these loan companies. I would guess that the 7 per cent would work out pretty close to that amount in terms of simple interest, for the total cost involved. It is important that we know this, particularly when we do have an alternative credit policy of 5 per cent through the banks themselves, which is much cheaper than this other kind.

Mr. SYKES: Have you any sample copies with you which might be given to the committee?

Mr. SOUTH: I do not have any at this time, but I would be glad to supply you with that information.

Mr. KORCHINSKI: I think, Mr. Chairman, that Massey-Ferguson submitted their sample form for the committee.

Mr. MUIR (*Lisgar*): I know they had one with them.

Mr. KORCHINSKI: I was under the impression they were going to leave it with us.

Mr. ARGUE: Mr. Chairman, the reply was that they would be quite happy to supply these. If they could be supplied to the chairman within a reasonable period of time, they could be of some use to the committee.

Mr. SOUTH: I think I can arrange to have that information for you this afternoon.

The CHAIRMAN: Have you a question, Mr. Muir?

Mr. MUIR (*Lisgar*): Mr. Chairman, evidence was given before the committee that in the opinion of some of the witnesses the cost of distribution, sale and repair of farm implement machinery and parts was unduly high. The federation of agriculture, on page 25 of their submission, said:

It is the belief of the Canadian federation of agriculture that cost of distribution, sale and repair of farm machinery are unduly high. We do not necessarily claim that excessive profits are made by dealers in farm machinery and parts. This may be so in some cases, but we are more inclined to think that the trouble lies in the excessive costs involved under present conditions.

I would like to ask the witness if, in his opinion, the cost of distribution, sale and repair of parts is unduly high in relation to the farm income.

Mr. A. E. CHARETTE (*President, Canadian Federation of Farm Equipment Dealers*): I am sorry, Mr. Chairman, but I cannot tell you just how the federation came to these figures. However, in our appendix, we have some figures of sales on which our dealer margin is 20 per cent; then we bring down on that statement our cost of operation and, when we come down to the net profit, it is 3.7. This is a survey which has been made by one of our employees during the last year in that school about which we were talking. This has been substantiated by Dun & Bradstreet and, it is, in fact, only 3.4. I am sorry, but we are unable to tell you how the federation came to those figures.

Mr. SMALLWOOD: I have a supplementary question, and I have checked up on this. I see you have an over-allowance of 8 per cent, and I presume that concerns trade-ins?

Mr. CHARETTE: Yes.

Mr. SMALLWOOD: Let us consider that you are selling a combine, and the dealer's commission is \$1,000. This would involve a large combine out west and, in this case, you have over-allowed him \$400. Now, under selling expenses, there is the figure 7 per cent, which means an amount of \$350 to sell a machine like that. I think there must be something wrong, if it is going to cost you \$350 to sell a combine of that type.

Mr. CHARETTE: In the selling of this type of combine or this particular type of equipment, there would not only be one call involved. Our selling force constitutes 7 per cent of our selling expenses for the year; it does not apply only to the one combine.

Mr. SMALLWOOD: That still would be high. I have been quite close to the dealers in this connection, and I think you have over-extended that a long way.

Mr. CHARETTE: Well, if you would check in connection with other selling expenses, you would find that their selling expenses in a lot of instances would be over 7 per cent. For instance, take car dealers; their selling expenses are away over that.

Mr. SMALLWOOD: When you have ended up, finally, you have left the dealer only \$150 out of \$1,000, and I do not think that would be correct. If it was, a lot of dealers would be going out of business.

Mr. CHARETTE: There are quite a few that are going out of business for that reason, because they are giving too much allowance or too much of a cash discount. Normally, if the farmer is buying for cash, he will, right off

the bat, tell you, or ask you how much discount he will receive, and when the dealer is in a position to lay his hands on cash, in many instances he is quite willing to give that cash allowance.

Mr. SMALLWOOD: The intimation being that you would be further ahead to give a cash allowance than have a combine on your hands?

Mr. CHARETTE: Yes.

Mr. KORCHINSKI: I have a question along the same lines, Mr. Chairman. I have before me appendix No. 4—Washout record, and your original cost of the tractor was \$2,400. I think this was intended to show that you had two trade-ins in the meantime, and that your profit in the end was \$301. Could you tell me what percentage \$301 would be of the original profit? I think it would be about 12 per cent of the original cost, and, certainly, that suggests to me that there is a fair return, especially after considering that your selling expenses have been discounted already. Now, this is profit about which we are speaking. I think, perhaps, even if you looked at it from another angle, if you included the cost of the trade-ins—for example, you have \$4,058, your cost of all the units, you will end up with a 7 per cent profit. I think that is a pretty fair rate of return. Have you any comment to make on that?

Mr. SHIELDS: I think, sir, this can be taken as gross, and not net.

Mr. KORCHINSKI: It says: "net".

Mr. SHIELDS: That is on those units, but here you have to take into consideration the earlier operation. We are just dealing with these three particular units. On this particular deal he did very well, but on another particular deal it may go directly the opposite way. Any of the gentlemen farmers from western Canada will realize that normally the sale of one combine will necessitate the sale of three combines before the sale of one unit is completed. The farmers in our particular area require these units to be overhauled, priced and serviced under the warranties.

Mr. KORCHINSKI: I understand all that, but this is supposed to represent an average sale. In other words, you can have a better sale and a poorer sale, but you yourself state this is an average sale.

Mr. HORNER (*Acadia*): I should like to refer to the bottom of page 7 of Mr. Sykes' brief, where he states:

At one time, some years ago, all major companies in the United States opened and operated a number of their own stores.

The brief goes on to say on the next page:

The present day practice in Canada appears to be revival of that condition.

This company store idea is rather interesting because it opens up a kind of new line of distribution, and the committee is always concerned about distribution costs. No doubt we shall have briefs presented at a future date which will question the distribution costs of most of the farm machine manufacturers. How would a company store differ from such an operation as C.C.I.L.? They operate purely distribution points on a kind of company basis.

Mr. SYKES: First of all, let me say I believe everyone is seeking desperately for a new method of marketing, and I believe any person who could come up with something entirely different, with a new program, could secure approval immediately. This previous company store operation was started by everyone in the industry and was carried out for a period of three years. Now, coming back to parts of the brief where I have pointed out there is almost as close a relationship between the farm equipment dealer and the farmer as there is between the farmer and his wife, when the company store operation is put into

effect there is a hesitancy on the customer's part, because he regards it as more or less a machine operation. There is no feeling in marketing of that kind.

Mr. HORNER (*Acadia*): I understand that. In other words, a manager is paid to sell a given line of products. He has no interest in whether he sells a greater number of products or a fewer number because the profits he makes are, in a sense, not his. Would not this be comparable to some extent with the C.C.I.L. operations, if you are familiar with them?

Mr. SYKES: To some extent, yes, but because that company store is not showing a good profit it is going to close up. That is not the manager's responsibility, nor has he the personal interests of the community at heart. He is only justified in showing a profit.

Mr. KORCHINSKI: Is the C.C.I.L. a member of your association?

Mr. SMALLWOOD: On page 6 of your brief you say:

Pity the farm equipment dealer who lives within ten miles of his place of business for numerous will be the rappings on his door, on Sunday or at any other time during the day or night that he fails to have his business door open.

In that particular instance, are you boasting or complaining about it?

Mr. SYKES: I hear many of the dealers complaining.

Mr. HICKS: A dealer who complained like that would not make a good member of parliament.

Mr. SMALLWOOD: I do not find too many dealers complaining. There are many instances such as this in your brief, and it seems to me to be a very crying brief on behalf of the dealers. I am sure if I took this brief back home and showed it to some of the farmers and dealers in my area, I do not think they would be quite too happy with it. For instance, you go on to say at page 8:

We see the farmer-customer looking for, in fact, demanding immediate service and he is gleeful if he has a well established dealership next door to his farm operation.

Then, on page 10 you go on to say:

It is not uncommon for the farmer when he fails to have a piece of trade-in equipment himself, or is unable to resurrect one, to seek from his neighbours something that might be used for trading purposes.

I do not agree with you there at all. I have friends back home who are farm machine dealers and the farmers would sooner go to one of them and say: "look, I have nothing to trade in; I will take a cash discount". There are too many instances like this in your brief. I am thinking of what would happen if your association got the dealers to follow that line. If dealers closed down at 6 o'clock at night and on Sundays, what would happen the farmer who has a breakdown on Saturday night, during his busy season, and has to wait until Monday morning to get a spare part?

Mr. CHARETTE: I am sorry to say we have quite a few farmers calling on our dealers after hours, and on Sundays. We are so familiar and intimate with them that we cannot very well refuse service to them. If we do that, they lose faith in us. Of course, after hours we cannot send an employee because he will be at home. He has his family life, so it is the dealer who has to go out and see if he can help or not. If a machine is broken down and you have a replacement in your shop, a spare part may be all that is required. You cannot tell the farmer: "Sorry, brother, you have to come back on Monday". The farmer's work is seasonal and we have to accommodate him as best we can.

Mr. SMALLWOOD: That is one of the points. However, in your brief you speak of these demands by farmers.

Mr. CHARETTE: We do not complain about that. We just say it has to be done.

Mr. SMALLWOOD: But, on page 6 of the brief, you are more or less complaining.

Mr. CHARETTE: If it were a company store the manager would just go home. He would say: "Brother I am paid for 40 hours, and that is all".

Mr. KORCHINSKI: I think there is a difference between providing service after hours, and providing it on Sundays. If you are selling equipment to a farmer that is all right but, if you are servicing his equipment, there is a different attitude.

Mr. CHARETTE: We would be only too happy to call on a farmer when he is not too busy. At such a time we can sit down with him and talk. I am not objecting to servicing after hours, but it is extra expense for us.

Mr. SMALLWOOD: We have a very good Massey-Ferguson dealer in my town. Every night he is there until midnight, and he has increased business by doing that.

Mr. CHARETTE: That would be right.

Mr. HORNER (*Acadia*): I have a supplementary question.

Mr. MONTGOMERY: May I ask one little question? Is there any extra cost for all this service to the farmer?

Mr. CHARETTE: If we have to send a mechanic out to do repairs, then there is extra cost. However, if it is the boss who goes out and is able to do the job there is no extra charge.

Mr. ARGUE: You mean he works for nothing?

Mr. HORNER (*Acadia*): On the top of page 8 you state:

The present day practice in Canada appears to be a revival of that condition.

In what way is this revival of company stores occurring?

Mr. SYKES: As so frequently happens in Canada, some process is experienced to the south of us and, about a year, two or three years later, we have it here. We could refer this to the designing of ladies' clothes. Anyway, it seems to work its way up to us.

Mr. HORNER (*Acadia*): But this is a particular reference to farm machinery. Are the big manufacturing companies such as Massey-Ferguson, John Deere and International Harvester opening up direct company stores in Canada?

Mr. SYKES: From time to time, yes.

Mr. HORNER (*Acadia*): And you feel this company store idea is going to grow in Canada?

Mr. SYKES: It has a tendency.

Mr. ARGUE: I wonder could we get at least a partial list of some of the company stores to which you refer. My knowledge of this business is, naturally, confined to a very small locality. I personally know of none of the big manufacturers who operate their own stores.

Mr. MUIR (*Lisgar*): There are some.

Mr. ARGUE: In the city of Winnipeg it is a dealership arrangement. I should like to know some of the stores, and something about the history of this development.

Mr. DICKSON: I am from Manitoba and I only know of two company operated stores.

Mr. ARGUE: In the whole province?

Mr. DICKSON: Yes.

Mr. ARGUE: Could you tell me the names of the companies?

Mr. DICKSON: J.C.I. has one and Cockshutt has the other.

Mr. ARGUE: Located where?

Mr. DICKSON: J. C. at Glendale and Cockshutt is located at Portage la Prairie.

Mr. ARGUE: Roughly, how many dealers would you say there are in Manitoba?

Mr. DICKSON: We have about 530.

Mr. ARGUE: That answers my question.

Mr. ALLINSON: My knowledge is not large but I do know of two in Ontario operated by Cockshutt, one in the city of Pembroke and one in the city of Brantford.

Mr. ARGUE: And they are operating in the same field as other dealers?

Mr. ALLINSON: Yes.

Mr. SMALLWOOD: Are there any in Alberta, in Saskatchewan?

Mr. SHIELDS: I do not know of any in Alberta.

Mr. DICKSON: I may add that so far as we are concerned we think the companies do not like putting in a company store unless it is absolutely necessary. If they cannot find a dealer then, naturally, they operate a store themselves.

Mr. SOUTHAM: Mr. Chairman, I should like to associate myself with the remarks made by Mr. Horner when opening this discussion, and to congratulate Mr. Sykes and the Canadian federation of farm equipment dealers on their very comprehensive brief. However, in reading it and listening to the discussions here this morning, I should like to associate myself with Mr. Smallwood in his general comments with regard to the tone of the brief. It seems to present the dealers in a grave position, subject to the demands of the farmers on the one hand and to the demands of the manufacturers on the other. These references persist throughout the brief, but we must remember that the dealers have to adapt themselves to the function of moving farm machinery from the manufacturers to the farmers.

Mr. SYKES: I think I should justify myself. I am executive secretary of the association and, of course, my bread and butter comes from my employment with the dealers. I listen to the dealers all the time and I do not think there was any intention of crying in the brief. Our job was to explain the dealer's position, the dealer's life as he lives it, and I am speaking strictly for myself when I refer to the brief in that way. I feel rather badly if I have created the impression that the dealers are weeping about their position. I merely tried to point out what a dealer does to facilitate and carry on the operation in which he is engaged.

Mr. SOUTHAM: I am interested in these discussions that have come up before with other witnesses, and that is to do with servicing operations. The figures quoted in the insert of your brief indicate that an average dealer serves a net loss of six servicing operations. This is supported by the complaint at the top of page 19 of the dealer who is required to service a machine from the sale of which he did not realize any money. There are two points that are evolved in this situation as I feel they exist, and the first is the margin on the sale of new machines is calculated to include an allowance for loss on subsequent servicing. The second observation is that the servicing establishments are too small at the present time to have the volume necessary for profitable operation. That is pretty well outlined in your brief. Have you any suggestions or comments to make on this situation?

Mr. SOUTH: I think that with our requirements in the service shop we have to have so much equipment regardless of whether we have three men or 15 men in the shop. We have to keep these people the year round—they spend the winter months repairing and overhauling trade-in machines and in the peak of the season we have to have maximum capacity. That is probably where the evil in this thing comes in. We get the fellow for twelve months in a year so he can do the job in three or four months.

Mr. SOUTHAM: That helps to clarify it. It seems to me to be an over-all problem, and I am just wondering if that particular factor could be brought to the attention of more dealers, because it seems we are in the transition period now, getting from smaller to larger dealers, and it is quite apparent that this situation exists. I am thinking that it reflects the direct or ultimate cost to the farmer and the price of his machine. I am trying to get an opinion from you people as to what would solve that—you would try to get small village dealers to centralize in the bigger areas to make a bigger operator?

Mr. SOUTH: I live in a very small hamlet—one of the smallest—and we have a comparatively large business. I do not think the location is what we need to consider here. It is where we are located in relation to our customers that matters, regardless of whether it is a big or small location. I think that the evil in this service business has been brought up by the dealers themselves because we have a lot of dealers, competition is great, there is also the matter of free service. It is just as big a matter of competition, that I may not sell a tractor for \$100 less than my competitor, but if the customer thinks he can get better service from me, I will get the business. I still think that most of that evil has been brought on by the dealers themselves.

Mr. MUIR (*Lisgar*): Can I ask another question? I have a supplementary question with regard to the trade-in. I notice at the end of page 1 and the start of page 2 you talk about stabilizing the price of the machines, and you send out a guide which the dealers call a trade-in guide. How do you arrive at these so-called stabilized or suggested prices? In my experience, one farmer will use a machine for ten years and it will be in very good shape when he trades it in; another comparable machine may be completely worn out. How can you give the dealer any guide as to what price he should pay on his trade-in machine?

Mr. CHARETTE: Mr. Chairman, the price in this guide is the price of the machine when it is ready for resale. It means that when we take in a tractor we use this price and then any repair that has to be done on the machine is deducted from that price. This is what we might say is a normal selling price. We take the machine when we do not have to spend more on it than we anticipated to repair it.

Mr. FORBES: I have a supplementary question on the same thing. I take it, then, from the expression of opinion on the price of machinery, that machine agents have to have two-price systems: one for cash, and one if you have a trade-in. As long as you fellows have a two-price system on machinery, you cannot blame the farmer for adopting a Scotch attitude when he gets to the dealer. You have a stabilized price on your equipment.

Mr. SYKES: Let us use this again for a moment. First of all there is no hard and fast rule nor does the dealer use it as such; it is strictly to assist and guide him. As our brief says, the dealer never realizes the suggested list price. He is buffeted by so many things. It would be a wonderful thing and the dealers would welcome the stabilization or the setting of a hard and fast rule. There is non. The dealer must depend on his own judgment and ability.

Coming back to the other gentleman's question about the different types of machine, one machine might be a tremendous trade-in value after ten years' use, and the other is of no use. The dealer relies on himself and himself alone

on the price. One of the things—if we are doing any crying at all, and I say we are not really—the whole problem is that we can go to five different dealers in an area and have five different prices, not that the dealer wants it that way but he is buffeted around by all these conditions. I agree that the Scottish attitude of the farmer is quite all right, but it makes it awfully difficult for the dealers. I am very anxious to make it known that no one ever sticks to this book. We provide it to assist in stabilizing prices and we hope eventually dealers will use it as a guide, and I know many of them do so. They turn it up, take the serial number and use the guide to see if they have offered anywhere within a reasonable price for that particular item.

Mr. REGNIER: What happens when the dealer gets more for the machine than he paid to the farmer for it?

Mr. LEVESQUE (*Interpretation*): It compares with the losses you can make in other directions. For instance, this can compensate for a 50 per cent gap in another respect. In other words, this type of profit will compensate for losses. In fact, you can come and see for yourself.

Mr. HOWE: We were talking about resale prices. The suggestion is made in this that 20 per cent is indicated as the medium through which you arrive at the suggested resale price of a machine. Does that 20 per cent hold true for all prices in the machinery section—a machine that sells for \$500, does it have the same marginal profit as a machine that sells for \$5,000, in arriving at the resale prices?

Mr. CHARETTE: Yes, it does. Most of these companies give a suggested resale price and our invoice will be this resale price, less 20 per cent. It does not matter which machine they have, it is 20 per cent. That is a gross discount, you might say.

Mr. HOWE: That is 20 per cent on the selling price, or 20 per cent on the cost?

Mr. CHARETTE: On the suggested selling price.

Mr. HOWE: There is no differentiation between a machine which costs \$500 and one which costs \$5,000? I have heard that in the car business the cars that will sell for \$3,000 carry one percentage of profit and those that sell for \$7,000 or \$8,000 carry a bigger margin.

Mr. CHARETTE: Not that I know of.

Mr. ALLINSON: I would say you often get less.

Mr. HORNER (*Acadia*): Would that hold good for some of the smaller items, such as grain augers, picklers, and so on?

Mr. SOUTHAM: I would assume that in the overall picture of disposing of all types of farm implements you would presumably have grain augers, small stationary engines or picklers, which you might have had a long time in stock, and the loss in getting rid of such stock is compensated by the overall selling picture from the big machinery. As Mr. Howe has pointed out, a machine selling for \$5,000, where there is a 20 per cent mark up, has a large amount of money involved, that would compensate in some respect in the overall picture, rather than taking the individual prices.

Mr. LEVESQUE: When you are dealing with 20 per cent, you are actually dealing with an exact figure of 20 per cent. You have to add to it the expense of freight from the manufacturer, transfer to the depot and from the depot to the dealer. In other words, when these expenses are figured, the actual markup is far from being 20 per cent.

Mr. KORCHINSKI: Does this also apply to the parts that you get? You have 20 per cent for big units. There is 27 per cent original discount on parts, is there not?

Mr. CHARETTE: Yes, that is right.

Mr. KORCHINSKI: Why would you say that you base it on 27 per cent?

Mr. CHARETTE: It is an average overall cost of about 27 per cent. I would not say it is exactly 27 per cent on all parts, but it is an average overall cost of 27 per cent on parts.

Mr. KORCHINSKI: You also include here in this information that you have an extra discount of 5 per cent on parts. Would you explain that?

Mr. CHARETTE: This is not a quantity discount. If you do \$40,000 worth of business a year, you get 1 per cent; if you do \$75,000 worth of business in the year, you get 2 per cent. There is a graduation up to a limit of 4 or 5 per cent.

Mr. KORCHINSKI: Five in the case of parts for new machinery. Would you say that the discount is because not only are your sales not so great, but also you may be stuck with some of these parts in some way? In your brief on page 13 you state:

Most companies permit the dealer to return unsold parts, 6 per cent net (dollar value) of the previous year's total purchases. . .

—and so on. Is this the worst case or the best case that you can provide? I am asking that because when Massey-Ferguson Limited presented their brief they said under the parts return program:

Under the parts repurchase program the dealer may return to the company, once a year, for full credit, a given amount of parts based on his past year's purchases.

I think they said at the time that it was 20 per cent of the purchases over a period of years. You say you have only 6 per cent net of the previous year's purchase on which the dealer will be reimbursed on a basis of 50 per cent. I want to know if this is the worst case, the best case or an average case, or if some companies do not give you that type of a dealer arrangement?

Mr. SOUTH: The figure quoted there of 6 per cent of last year's sales means that if I bought, say, \$10,000 worth of parts from Massey-Ferguson last year they allow me to return 6 per cent of that \$10,000 worth, which is \$600 worth this year at 50 per cent discount. These are parts which are in the current price list. If these parts are not in the current price list, we put them in the wheelbarrow and run them out the back yard. These figures are authentic and I can give these figures this afternoon.

Mr. KORCHINSKI: There seems to be some conflict and that is why I raised this. They said:

Under the parts repurchase program, the dealer may return to the company, once a year, for full credit, a given amount of parts based on his past year's purchases.

They said 20 per cent of a given amount. The given amount, I think, was 20 per cent, that is for full credit, and you say for half credit.

Mr. SOUTH: We are talking about obsolete parts here.

Mr. PETERS: No, no.

Mr. SOUTH: If you order a part for your combine and if you are given a wrong part or a wrong number, and if you send it back within 30 days and it is listed o.k., it will be sent back for full credit. But these things happen very seldom. If a man is doing his job, it does not happen. What we are concerned about here is the backlog of parts. If you take a number four Massey binder built in 1895 and if you have parts for that, those parts go out the back door. There is no return provided for.

Mr. KORCHINSKI: I am not arguing that, but I would like some clarification on this. They state here "once a year". It does not refer to a 30-day arrangement at all. It is once a year they allow you to send back a given amount of parts for full credit.

Mr. SOUTH: These figures I have given are authentic and I would be glad to back them up.

Mr. KORCHINSKI: I am bringing this up because there appears to be a conflict.

Mr. PETERS: Are you a Massey-Ferguson dealer?

Mr. LEVESQUE (*interpretation*): There was one question which was not mentioned. There are certain items which we call manufacturers or factory items which must be ordered direct from the factory, and which are not held at the depot, but are ordered for one customer, and one customer only. If we do not sell such a part, it cannot be returned to the factory. It becomes a total loss.

Now, as far as obsolete parts are concerned, there are certain other parts which are obsolete in that they do not appear on the manufacturer's list price. We carry them, but since they no longer appear on the manufacturer's list price, they cannot be returned, and no credit at all is given for them. As far as I am personally concerned, I feel that they can make up to ten per cent of our total inventory.

Mr. KORCHINSKI: How can the manufacturer tell whether such a part was ordered specifically for one farmer, or if the dealer wanted it to have on his shelf, because he expected to sell it?

Mr. LEVESQUE: The dealer has nothing to do with it. We are ordering for a customer who wants to buy it.

Mr. KORCHINSKI: Was not the suggestion made that a refund for the particular part, under certain circumstances, should be made?

Mr. LEVESQUE: Usually, it is because the machine is not manufactured or made by the company.

Mr. PETERS: This is not a regular supply part which comes out of stock. It is considered from the manufacturer's point of view not to be out of his stock?

Mr. LEVESQUE: They have no record of sales for it, and we are the only ones who asked for it.

Mr. KORCHINSKI: I would not expect any dealer to stock, let us say, transmission parts for a tractor, because they very, very rarely break down. So I would not expect a dealer to stock them. But if you should stock such a part, would it be returnable?

Mr. LEVESQUE: Yes, at 50 per cent sometimes.

Mr. THOMAS: Mr. Chairman, on page one, of their brief, the Canadian federation of farm equipment dealers deal with the purposes of the association and their relationship to the large manufacturing company. There are three sentences in the paragraph immediately after the obligations, which I would like to have amplified. They say:

One of the prime purposes at the time of organization was that some type of licensing of farm equipment dealers be made effective by and through the association.

That is mentioned later on. I would like to ask if any progress has been made in this regard.

Mr. SYKES: Not as far as the association is concerned, sir.

Mr. THOMAS: And the second one:

It was further intended that anyone proposing to become a farm equipment dealer must submit to examination by the association.

Is this in effect at the present time?

Mr. SYKES: No.

Mr. THOMAS: And the third sentence reads as follows:

These conditions made for the association a most difficult road ahead for the manufacturers strongly objected to the program of licensing and examination and withheld at that time and down through the years their tolerance of the organization.

Now, the question there, is this: do the large companies object to their dealers belonging to your association?

Mr. SYKES: No, but they are not entirely happy with it. The feeling of some of them from the beginning, is the thought that the association might become too strong and dictatorial.

We enjoy fairly nice relationships with the majority, as I stated, of the manufacturing people. I think we could all benefit if we had a better understanding. I think it varies throughout the industry. I think from some sources we get merely lip service

Mr. THOMAS: Among the definitions listed in the following paragraph you mentioned their representation at Ottawa in connection with the importation of farm equipment. Could you outline what those representations were?

Mr. SYKES: In the early stages, they were hoping to have the conditions that we have today, of passing equipment back and forth across the United States border without duty. That was before my time. But during my time we find the condition existing whereby you can bring a tractor into Canada without any duty, and if it already has a power take-off unit on it, that unit comes in free of duty. But at a later time should you want to bring in a power take-off unit for that tractor, it will be dutiable.

About five years ago we did in fact ask that the duty be taken off those parts, and it was.

Mr. THOMAS: Did your association make any representations with regard to the importation of used farm equipment?

Mr. SYKES: I have been here in Ottawa four times altogether asking that something be done about this condition of the flow of used equipment coming from the United States auction sales, that we referred to this morning.

Mr. THOMAS: You mean to prevent the importation of used equipment?

Mr. SYKES: Yes, that is right.

Mr. PASCOE: Mr. Chairman, I would like to ask Mr. Sykes a supplementary question following up the discussion of the operations of the Canadian federation of farm equipment dealers.

At the start of this hearing, some representatives from other provinces were introduced, but I did not hear of anybody from Saskatchewan. Would that indicate that this association is not too active in Saskatchewan?

Mr. SYKES: The opening of our brief states that we were all together at the beginning, but that about three years ago the Saskatchewan association felt that they might benefit more by affiliation with the United States national association. So today they are affiliates of that group.

Mr. PASCOE: And they are not affiliated with your association?

Mr. SYKES: No.

The CHAIRMAN: We have received a letter from the Saskatchewan association asking if they might come and present a brief before the committee. The subcommittee will deal with that later.

Mr. HORNER (*Acadia*): That is from the Saskatchewan association?

The CHAIRMAN: Yes.

Mr. KORCHINSKI: I have a supplementary question. On page one of your brief you stated that:

One of the prime purposes at the time of organization was that some type of licensing of farm equipment dealers be made effective by and through the association.

And on page 22 you say:

This suggestion that a form of licensing might be helpful does not particularly appeal, once again, to the free enterprise merchant.

You suggested you were not quite satisfied with the overall results. Would you suggest that perhaps the fact that Saskatchewan did not belong to your organization is one of the things which is causing a little trouble in your organization?

Mr. SYKES: No.

Mr. KORCHINSKI: They are in no way associated with you?

Mr. SYKES: No.

Mr. KORCHINSKI: Would you like to have them? Have they been in previously?

Mr. SYKES: They have been, yes. They were until they affiliated with the U.S. National. We all considered affiliating with the U.S. National because it is bigger and older; but the terms of affiliation did not appeal to us.

Mr. KORCHINSKI: Are you familiar with the licensing in Saskatchewan?

Mr. CHARETTE: Alberta has a licensing operation and Mr. Shields might reply.

Mr. SHIELDS: I have started to look into the Saskatchewan situation. It is handled by a machinery board which they have, of which Mr. King is a member. From what I have been able to determine so far, they are adopting a situation whereby they have A, B and C type dealers, depending on the type of contract. These dealers would carry so many dollars worth of parts. The area in which they are situated becomes theirs, so that another dealer from the same company does not get set up in that area.

In Alberta we are licensed under the provincial licensing act and all our mechanics are licensed under the trades act. Therefore, we are licensed operators and are confined to farm equipment. We cannot handle or service cars. Some people, however, have a dual licence. That is the provincial control they have in the province of Alberta.

Mr. HENDERSON: I would like to dispel the poor-relation aspect in respect of the implement dealer. I come from the Peace river area. I would like to give you the names of a few people who made money in the implement business. J. D. McEarchen is very rich; Mel Rodacker of Grand Prairie is an Alberta man in good circumstances; Ralph Tompson made a quarter of a million dollars; McKinnon is the big Case dealer at Dawson Creek and is one of the biggest dealers in western Canada; and Aspal made a fortune and sold out. There you have it.

Mr. HICKS: I would like to turn back to page 6, the third paragraph, where you were talking about equipment repairmen as doctors always on call. It says:

All of these exacting demands must be performed by the dealer-owner-manager-salesman-serviceman and jack-of-all-trades for he, many times, because of provincial labour laws is not allowed to delegate after hour work to employees.

Is that actually true? If a farmer has a combine which breaks down at dark do you mean that a company employee is not allowed to come out and repair that so that it can go ahead tomorrow and save the farmer dollars worth of grain?

Mr. SYKES: The situation is this. If a dealer is to work his employees beyond the required labour hours he must have a permit for overtime operation. There is a considerable leniency, I admit; but I do know of a situation in Ontario where if you want to keep your staff beyond the normal working time you have to get an overtime permit. This is not applied in all instances. We escape it. We are given consideration; but I make mention to it here because I feel it could well apply to every one of the farm equipment dealers and would be unfortunate.

Mr. HICKS: We used to wire up our machinery until dark, so that we could fix it during dark.

Mr. SHIELDS: In the province of Alberta they have what is known as the labour relations board. They make a check of our time books twice or three times a year. If the men work past a certain hour of the day they raise Cain.

Mr. ARGUE: Even if you pay them time and a half?

Mr. SHIELDS: Yes. They still do not like it.

Mr. ARGUE: They do not prevent it; there is no law.

Mr. SHIELDS: No; except on Sunday.

Mr. ARGUE: That is a federal act which applies to everybody.

Mr. SHIELDS: But there is the proposition we are speaking of, of trying to keep the costs down. We are faced with a problem which sometimes we cannot pass on.

Mr. HICKS: Could they not take time off the next morning.

Mr. SHIELDS: No.

Mr. ARGUE: You are not prevented from it by law. The law states that the employee must be paid time and a half.

Mr. SHIELDS: The employee himself has reached the point where he wants that particular time for his own family.

Mr. ARGUE: That is his own right; that is not a law.

Mr. SHIELDS: No.

Mr. ARGUE: I do not think that is a valid point.

Mr. PETERS: If, for instance, you make this complicated sale of which we have an example here, then what is the advantage of selling a piece of machinery to a farmer? What is the actual benefit to a dealer in selling this, not in terms of the \$301 you get for the final transaction, but say that one buys a tractor from a dealer at \$3,000, how much would he expect to make out of that tractor before the buyer gets rid of it in ten years time? In other words, why do you want him to take your tractor instead of somebody else's tractor?

Mr. SMALLWOOD: To sell repairs.

Mr. ARGUE: They say they make nothing on repairs.

Mr. PETERS: Why do you want him to have your tractor instead of somebody else's tractor?

Mr. CHARETTE: For the simple reason that if we cannot sell our tractors, we won't be in business.

Mr. PETERS: Well, if you do not make any money, there is no point in selling it. Do you count on 10 or 15 per cent over the lifetime of that tractor, in services?

Mr. SOUTH: I would refer you to part of the appendix. There is a misunderstanding about that \$300. That is a net profit on that particular transaction. After you take the net profit on that particular transaction, you take your operating expense off your over-all business and deduct from that, and we have a net profit of our volume sales for the year of 3 per cent. We live on that 3 per cent. That is the reason we want to sell the tractor. We will have a net \$60 on that tractor for ourselves.

Mr. PETERS: I say that you would not be in that business if you only made \$60 on a \$3,000 unit.

Mr. SOUTH: Well, that next statement will prove it.

Mr. PETERS: I do not believe it. 3 per cent would not allow you to operate. If I am selling cars and say, for example, I sell a Ford car, I expect that after I sell it I will have the buyer come back for an oil change once a month; he probably will obtain 20 tires for that car during its lifetime and, if I am a good guy and he likes my dealership, he will come back and get a car wash. In this way, over a period of years, I am going to make three times as much profit on service as I would on the selling price. Is this not true in the case of farm equipment? Does the service not amount to more than the selling price?

Mr. SOUTH: Yes, but you cannot very well compare automotive with farm equipment. If you have an automobile and there is something wrong with it, you take it into the garage; they plug in the time clock and charge you \$4 or \$5 an hour. However, if a manure spreader breaks down, you have to go out to the farm and fix it in the yard.

Mr. PETERS: But there is a fee of \$4 or \$5 for going out to fix it.

Mr. SOUTH: If it is under warranty, you do not charge; the dealer has to pay that. The company does not pay under the first year of the warranty.

Mr. KORCHINSKI: But, you get compensated for the labour.

Mr. SOUTH: On balers, tractors and combines, we do, but not in the case of a manure spreader.

Mr. SMALLWOOD: In regard to tractors, is it not a fact that you want to get them out into the country so that you can sell repairs for them?

Mr. SOUTH: I think I can prove to you that we are not making any money on repairs.

Mr. SMALLWOOD: Oh, dear me.

Mr. SOUTH: 25 per cent profit on a \$10,000 volume, which is a fairly high average, gets you \$2,500, which requires a full-time parts man.

Mr. SMALLWOOD: We have lots of dealers out there who do not have any full-time parts men.

Mr. ARGUE: Cannot your parts man do something else when he is not selling parts? Is it against the law if he does? Or, does he sit on a stool all day and wait for somebody to come in? Could he not go out and sell some gas, if there are pumps in front of the premises, or could he not take a wrench in his hand, or is that against the law?

Mr. SOUTH: Well, anyone that is doing \$10,000 or more of parts business has a full-time parts man and, by the time he keeps records of 10 or 15 years back of every sale, and his other duties, in order to get away from this obsolescence about which we have been talking, he has not time for anything else.

Mr. KORCHINSKI: Well, to put it another way, there are two types of dealerships; one being a bigger operation, which requires a parts man, and another, where it is a dealer-owner setup, and he fills in as parts man. When he is an owner, and acts as a parts man himself, he is making wages and, in that

case, it might be more profitable for him to sell less and do without a parts man. In this case, the dealer does not make anything on the parts he sells, because the parts man gets all the wages.

Mr. SOUTH: I agree with you. In our first year in business we made a better profit than when we had 15 men employed. We have to see that the parts man gets his wages first; then, there is the overhead and the obsolescence to be taken into consideration. After this is done, if we then make a profit, it is ours. However, everyone else gets his first.

Mr. KORCHINSKI: Could you supply us with a breakdown to illustrate how many dealers you have in that category which hires more than five men in their business, as compared with a man who does all the work himself but who might have a mechanic or someone else who does part-time work—such as making deliveries to the customers, and so on. In other words, could we have a breakdown showing the size of the different dealers.

The CHAIRMAN: Mr. Forbes has a question.

Mr. FORBES: Does the manufacturer exercise any control over the price of parts and repairs?

Mr. SYKES: No.

Mr. FORBES: I often have thought that when I go in to buy repairs, there is no control on the price.

Mr. LEVESQUE (*interpretation*): I was glad to hear the remarks made by the gentleman who comes from the Peace River area, and I am quite happy to know there are some good dealers in that area. In fact, on second thought, I think I should like to go there myself. However, I think it will be admitted there are big and small dealers, good and bad dealers, but I should like to point out that in the province of Quebec, from which I come, I have an operation which continues from May to December—May, June, July, August and September. At all times we have over 15 employees. We have to have seven mechanics, three servicemen and a number of office workers, and it is desirable for us to maintain all of these people even though our activities are only for a few months of the year. We have to keep our workers for the full twelve months of the year. During that time some of them may leave us, some go on holidays, but we have to keep staffed at all times.

I believe this is also true of the Maritimes and even Ontario. Therefore, we have of necessity to add other lines to our general service, so that when we pay our taxes there are included our general costs. Our general costs are considerable and they incorporate a great many things, so that the profit figure is far from being as impressive as might appear.

Mr. HENDERSON: I still say we have dealers who made a pile of money in the Peace River country.

Mr. ARGUE: In my country they all went broke.

Mr. HENDERSON: Harper was here only a couple of days ago, on a trip around the world. There was also Tompson, and I could mention many others around Beaverlodge and all over that country. I do not think the dealer has a chance to cry, if he does any kind of business. I am a farmer and have been one all my life. I have lived there for 42 years and I know that a dealer, if something breaks down at ten o'clock at night or two o'clock in the afternoon, comes along and fixes it.

McKinnon is one of the biggest dealers. Possibly this gentleman knows him.

Mr. DICKSON: I must say the advertising you give the Peace River area may attract all the dealers from all the other provinces.

Mr. HENDERSON: I just received a letter this morning from a group of French Canadians who want to come to the Peace River area.

Mr. DICKSON: I should like to answer this gentleman from Peace River. I come from Manitoba—

Mr. HENDERSON: I was born in Manitoba.

Mr. DICKSON: In answer to the question about these millionaire dealers, I should like to say I have been in this business since 1930. That is 31 years and, outside of the war years which were all good for implement dealers, from 1930 to 1940 and from 1950 to the present time, we have been depending on franchise contracts to keep living. Without a franchise contract I would be damned poor, I can tell you. I happen to be a blacksmith and in that business can do a very good welding job.

Mr. HENDERSON: What town?

Mr. DICKSON: In Brookdale.

Mr. HENDERSON: I was born in Carberry, right next to Brookdale. It is not to compare with the Peace River country.

Mr. ARGUE: They are not as wealthy there as in the Peace River country. How many dealers are there in Manitoba?

Mr. DICKSON: We have approximately 530 dealers today.

Mr. HENDERSON: Too many dealers.

Mr. DICKSON: The farmer wants more than that. He wants plenty of dealers when he wants to get a welding job done but, when he wants to buy a combine he does not come to Brookdale. He may even go over to Carberry. Ten years ago we had something like 1,600 dealers in Manitoba and today that figure is down to 530. If this were such a good business why have they not stayed in it?

Mr. HENDERSON: They were in the wrong place.

Mr. DICKSON: If someone wants to sell out in Manitoba today, he cannot find anyone to buy his business.

Mr. HENDERSON: I was in the Brookdale country selling broncos. I know the country like the back of my hand. I was there when the sand was blowing up against the fences at Mackenzieville. That country is not to be mentioned in the same breath as Peace River. On five occasions we had the champion grower of wheat, the champion of the world, in the Peace River country. You have got to come and see it.

The CHAIRMAN: Gentlemen, now that we have learned where to go, maybe this would be a good time to adjourn and meet back here at 3.30 this afternoon.

Mr. MONTGOMERY: Could I ask this question? Might the witnesses furnish some information this afternoon? Could you furnish the committee with a list of the number of dealers that have folded up in the last 10 years?

The CHAIRMAN: I am informed that our witnesses have not got that information with them. The meeting is adjourned.

AFTERNOON SITTING

MONDAY, May 8, 1961.

The CHAIRMAN: Gentlemen, we have a quorum this afternoon. Mr. Pascoe has a question.

Mr. PASCOE: I would like to return to the discussion we had this morning on the financing of farm machinery purchases. I was very surprised at the statement that 75 per cent of these purchases of farm machinery are financed through the implement companies, or through finance companies. I would like to follow up Mr. Korchinski's question this morning to see if we cannot

get a little closer to an explanation as to why three-quarters of the farmers finance their implement purchases by means other than through the Farm Improvement Loans Act.

I have here a 1960 report of the Farm Improvement Loans Act issued by the Department of Finance. It states that in 1960 there were 52,811 individual loans for the purchases of farm implements, costing \$79,942,352.

The report also states that loans for the purchase of farm implements accounted for 78.4 per cent of the total amount borrowed under the act. This would indicate that farmers are using these loans for the purchase of machinery.

The report also states:

In 1960 there were 28,774 borrowers who had not previously obtained farm improvement loans. These accounted for 42 per cent of the total number of loans made.

Could this be taken to indicate that there are still many farmers who do not know about F.I.L.A. and the 5 per cent interest limit set by the government? Would you say that a dealer in the ordinary transaction of a sale would ask the farmer if he wished to finance through F.I.L.A. and thus save on his interest payment?

Mr. SOUTH: It is up to the dealer. It is to the dealer's own good to have him use F.I.L.A. I should qualify that 75 per cent guess there. A lot of customers come in with cash who may or may not have borrowed that directly from the bank before coming to us. If they have cash, we do not ask them about it. If they purchase through F.I.L.A. they eventually get a receipt for that purchase. They may ask for a receipt showing the serial number of the tractor, but even then we would not know—they may want it for income tax purposes. In our own finance we carried \$50,000 of credit ourselves in ordinary bank notes. Certainly there is no way of tying it down. As regards the people you are asking about using finance, for the most part they do not qualify, because they do not qualify for F.I.L.

Mr. SOUTHAM: From your observation, would you say that most farmers know about this?

Mr. SOUTH: Oh yes.

Mr. KORCHINSKI: Would it be possible that a banker sometimes has declined loans because he is concerned as to how these farmers may repay and because of the farmer's previous experience he is reluctant to go back again, whereas he can take the path of least resistance through other methods. All he has to do is sign a form and make a payment next fall and one in each of two or three years from that, each October 1st; it is really quite simple by doing it through the machine companies' financial arrangements. Here is another point which has been brought to my attention, that is, some of the bankers for one reason or another ask for titles. That is a point which should be followed up. Also, some bankers will hum and haw before they will give a loan. Is that possibly a factor in deciding whether these loans are paid through F.I.L. or through the finance company?

Mr. SOUTH: That is a very important factor. When F.I.L. first came into being, many of the individual bank managers thought there was too much red tape about it and they did not bother, but discouraged it. We had pretty nearly to insist on it as it is the best way for dealers through the F.I.L. finance. It is better to have 4 or 5 per cent that way, and also the farmer then has more money to spend on machinery.

Mr. KORCHINSKI: Are you aware of any other cases where bankers have asked for titles to land?

Mr. SOUTH: Oh, yes.

Mr. KORCHINSKI: In fairness, I should say that they try to determine whether he is a farmer or a renter, and so on, if they are not familiar with the man. Do you know of cases like that?

Mr. SOUTH: Yes.

Mr. SHIELDS: Our experience in regard to some of the loans that the farmers decided upon has been this. In the past few years we have found that the insurance clause carried by companies' insurance in some of these other cases interested some of the farmers who were not able to get insurance, due to their health. Some of them were using it for that purpose so that in the eventuality of anything happening to them, the yield would not have to be paid out to the bank by their life estate. That shows a clear title, and they are using insurance for that purpose.

Mr. KORCHINSKI: Could you say what rate a man should have to pay to obtain this kind of life insurance?

Mr. SHIELDS: I have not got a breakdown of that. It is included in the over-all policy. They do not break it down either. The farmer does not have an option, he has to take it as it is.

Mr. SOUTHAM: With reference to the statement on page 3 of the brief on the question of the adequacy of finance and stating the farmers desire to retain the farm improvement loan privileges for the purchase of livestock, and so on in this connection I have here a table prepared by the Department of Agriculture in answer to this. It gives a breakdown over the past 15 years.

I think it would be well to have it read in the record. This is from the economics division, Department of Agriculture, and is as follows:

*Summary of Farm Improvements Loans Act—
Loans Classified by Purposes*

	1960	1959	Total 1945-60
	(Millions of Dollars)		
Agricultural			
Implements	79.9 (79.1%)	77.0 (78.5%)	867.1 (85.5%)
Building Construction			
and Repairs	10.1	11.2	75.2
Livestock	9.6	8.0	51.4
Improvement and De-			
velopment works..	1.3	1.4	14.5
Irrigation . . . . .	.3	.3	1.0
Electrical Equipment	.4	.4	3.5
Fencing and			
Drainage . . . . .	.2	.1	1.1
Total	101.9	98.4	1,013.8

This would indicate a slight decline in the use of the money for agricultural instruments in the last two years, but it still leaves almost 80 per cent. Your brief puts the benefit of farm improvement loans in a bad light. Yet according to this summary, the bigger part of the money is available and is spent for the purchase of farm implements.

Mr. SYKES: I think the brief is based on the story told to the farm equipment dealer. Perhaps the farmer does not want to tell the actual reason.

Coming back to the discussion of a few moments ago, it has been necessary for me, on behalf of the dealers association, to go to banks, because we have found farmers very reluctant frequently to make many farm improvement loans through the bankers.

Two situations exist. The banker sometimes is a chap who came out from the city and who does not know exactly what the farmer needs by way of farm machinery. He will try to persuade him not to buy the equipment.

But the sore point of the difficulty, and the second step is that the bank manager will retract the sale in order for the dealer to make an application for a farm improvement loan.

In such a case he must get a receipt from the dealer showing the transaction. This will set it out so that he is buying so much of new equipment, and is being allowed so much for trade-in, and so on.

Now, he goes over to his own bank manager—or sometimes to the dealer's bank manager. Now, if he goes to his own bank manager, perhaps he is a dealer who is in another line; and I suggest that his dealer might need a covering over-draft. He will tell the customer that he should come back in about two days time when he will then let him know the result, whether he can have this or not. I am referring to his application.

When the customer leaves his office, he will take up the telephone and call the dealer who has an account with him, and he will say: "so and so is going to buy a tractor from so and so. He is allowing \$500 for a trade-in. If you can better that deal, why don't you get out there and try and better it?"

We have found that frequently across Canada. I have visited the head offices of banks to discuss that problem.

Mr. SOUTHAM: That is very interesting. Would you suggest that under the present legislation we should step up the amount of money under the Farm Improvement Loans Act as far as the overall agricultural picture is concerned?

Mr. SYKES: Yes, I think it would be quite helpful.

Mr. SOUTHAM: It is in the process of being stepped up now.

Mr. SYKES: That is very good.

Mr. HORNER (*Acadia*): Would not the fact that in a small town there are five—and in Saskatchewan six—dealers selling machinery and in the same way selling finance, would this not have a tendency to create pretty stiff competition, let us say, between the banks lending the money? Would there not be a tendency to increase sales through finance, rather than banks? In other words, the more delay, the more credit.

Mr. SOUTHAM: We have had evidence that some of the subsidiary companies are getting up to 11 per cent, whereas the farm improvement loan is much lower. I think this is where the emphasis should be placed, and as I said a moment ago, I felt that a number of these small towns might find it pretty tough going.

Mr. KORCHINSKI: I have a question supplementary to Mr. Sykes, about the bankers' policy. Would you have any evidence about kick-backs in cases like that?

Mr. CHARETTE: To answer your question, as far as the dealer is concerned, it is to his advantage to see that the customer gets his money from the bank. We have no kick-back. When we sell a piece of equipment, if the customer borrows money from a bank, then the bank and the government are responsible, if the customer does not pay up.

If it goes through our own company finance—as is the case with most of them—at least we have a guarantee for that company. If the customer does not pay that note at the due time, the dealer has to go over and pick up the machine and bring it over to his lot, and make out a cheque for the amount owing on that machine and give it to us, whereupon it is his.

Mr. HORNER (*Acadia*): Have the dealers noticed at any time that the machine companies are continually writing to them to sell machines through their company finance? Are the dealers aware of this?

Mr. ALLINSON: I can say that the companies I represent have never asked them to finance.

Mr. SHIELDS: There is no pressure on us to finance. The credit manager trusts us, and at any stage he can say, in that respect, that we are not to have any more with respect to a particular farmer.

They will decide on their own form of financing, as to whether they will go to the bank, or will want the dealer to finance it.

Mr. KORCHINSKI: Have you any evidence to prove or to disprove the fact that in areas where you have competitive banks, farm loans under the Farm Improvement Loans Act are higher or lower? I would suppose that if there was competition, it would be easier to obtain a loan.

In areas where there is only one bank, the banker might be reluctant to grant a loan. But in areas where there are more than one bank, the bankers are looking for business in that case. Would you have evidence to support that?

Mr. SYKES: I have no evidence.

Mr. ALLINSON: I could answer that. In Kingston we have plenty of banks. The government and our banks, I am sure, have never turned down a loan or an application for a farm improvement loan where the applicant was in a position to qualify. On the other hand, in a couple of small towns outside Kingston, where there is only one bank, upon occasion I have taken an applicant after he has been discouraged, to my own bank, and got him a farm improvement loan.

Mr. HORNER (*Acadia*): I have another question. On page ten of your brief you talk about trade-ins, and the number taken in. I wonder if you could give the committee any idea as to the percentage of deals now in which a trade-in is involved as compared to deals five years and possibly ten years ago?

Mr. CHARETTE: It is pretty hard to give you a percentage of what the deals were five years ago as compared to now. But we do seem to get more trade-in now than we used to get before, because right now we very seldom—I mean as far as tractors are concerned, for instance, because every farmer has a tractor today. But maybe if it is a new machine such as the combine, or something that is newer, we have a smaller chance of getting a trade-in. But if it is a tractor or a machine which has been in existence, like a manure spreader or something like that, we would have a trade-in in perhaps eighty-five per cent of the cases. Sometimes that trade-in is dragged in on another trade-in on this second-hand machine.

Mr. HORNER (*Acadia*): What would you say the situation was five or ten years ago? This might give the committee some idea how this trade-in enters into the profit ratio picture, particularly the dealers' profit ratio. I think the committee should be aware whether it has increased or decreased. You say eighty-five per cent today. Would you hazard a guess as to what it was five years ago? Would it have been perhaps eighty per cent?

Mr. CHARETTE: I will ask some of the older dealers to answer that.

Mr. SHIELDS: I am not such an old dealer. I have been in this business since 1948. In 1960 of all the deals we made there was only one in which there was not a trade-in involved. Going back five years I would say we might have made five or six deals in that period in which there was no trade-in.

Mr. HORNER (*Acadia*): Can you take your memory back ten years?

Mr. SHIELDS: I would say in that period if you sold ten combines you might sell five without a trade-in, right after the war.

Mr. HORNER (*Acadia*): I was thinking about 1950.

Mr. SHIELDS: 1950 was a trade-in year.

Mr. HORNER (*Acadia*): You were taking in a lot of trade-ins in 1950?

Mr. SHIELDS: 1950 and 1951 was the start of the heavy trade-ins.

Mr. HORNER (*Acadia*): From 1950 what has been the picture?

Mr. SHIELDS: If you sell ten tractors in a season you would have to sell forty tractors to be clear. It is usually ten trade-ins before you are clear. This has been fairly evident all through the fifties; it gradually built up.

Mr. HALES: We are here to get down to the consideration of farm machinery. As I travel through my riding I find it is a very important subject with farmers. So far this afternoon I do not think we are making much headway. We are not getting down to basic facts. So far as the machinery is concerned, I am satisfied there is enough competition between machine companies so that the law of supply and demand will take care of the prices of those. When it comes to parts I feel that we lack competition in the manufacture. I would think that this is the case. If a man has a Cockshutt or International machine he goes for a part. There is only one part that will fit his machine. There is no substitute. There is the part; he has to have it. There is the price; he either takes it or goes without it. I think here we get at the problem. There it is; there is the price; there is no alternative. If there was competition in parts there would be a lower price for parts. I do not know how to get around this. Massey-Ferguson have their parts and International have theirs. If there was another source from which to buy parts, I am convinced parts would be at a lower price. At one of our earlier meetings the matter of a little wee part was brought up. It looked as if it would be worth \$2.50 and the cost was \$9.35 or something like that. Let us deal with the specific point: is there any way to get around this? I think Mr. Muir may have a supplementary question on this.

The CHAIRMAN: I think what we want to know is, is there any standardization of parts among the implement companies.

Mr. HALES: It stands to reason that if you have a broken part and only one firm makes it and only one part will do the job there is no alternative for you but to pay the price or go without it.

Mr. MUIR (*Lisgar*): Before I put my supplementary question, I may say that one of the frequent criticisms this committee has had on behalf of the farmer customers is the lack of standardization of parts within the individual machine companies in particular, and interchangeability of parts within the machine industry itself. Undoubtedly this adds to the cost of the repair part to the former consumer. It must also add to the cost of the inventory of parts that has to be carried by the dealer. I note that in this regard no recommendation has been made to the committee by your organization. I am wondering if any representation has been made, through your association on behalf of the dealers, to the machine companies on this particular subject.

Mr. SYKES: May I take the first part of the question. I think we are all familiar with the Canadian Tire stores. I think we all know how they serve us. I would say this: there are other sources of "will fit" parts. They are cheaper. I will say they are not as good, as has been proven by the farmer. They are comparable; they look the same. They are the same—they will operate for a time. Getting back to the automotive industry it is the same argument. The automotive industry presses genuine parts. I think we have the same condition here.

That is the part of the question which I wished to answer. I think perhaps some of the actual dealers might add something further.

Mr. HALES: I think this morning something was said about the fact that repairmen put their own prices on these parts. My experience has been that when I went to get a part he looked up the part in a book, whether Massey-Ferguson or International, and got the trade number. There was a suggested selling price on that part. I think this morning that was explained differently. Which is correct?

Mr. CHARETTE: We have a suggested retail price book for parts. I think most of the dealers, or all of them, will use that price book. There is a suggested price book for each company. From that price book to our cost the margin is approximately twenty-seven or twenty-eight per cent. That is why in our brief we say we have a margin on parts of about twenty-seven per cent. The only time a dealer might make his price is if a customer comes to his store and says he needs a part right away. If the dealer does not have it in stock—if it is a piece which he would very seldom sell—he would take the phone and phone the company to have it sent by express, and in certain places where there is an express service it would be there in the morning. This is at the demand of the farmer.

Mr. HALES: Does the manufacturer set the price of these parts?

Mr. CHARETTE: It is a suggested price.

Mr. HALES: He gives you a suggested selling price.

Mr. CHARETTE: Yes.

Mr. HALES: The man who makes the machine.

Mr. CHARETTE: Yes.

Mr. HALES: And you follow that price closely?

Mr. CHARETTE: Yes. The reason is that in most parts of the country—in northern Ontario dealers may be a little further apart; but in southern Ontario the dealers are pretty close and if the farmer goes to a John Deere dealer there is another dealer maybe ten miles away. One chap may boost his price up and the other fellow not.

Mr. HALES: The manufacturer can put any price he likes on that part because he has no competition and nobody else can supply it. The sky is the limit when he sets the price for that.

Mr. CHARETTE: Well, that is for the manufacturer. We have no way of knowing whether a cogwheel is worth \$2 or whether it is worth \$10. Although there may be only a few pounds of steel in that piece of equipment, there may be quite a bit of skilled work involved.

Mr. HALES: In my humble opinion, this is the crux of the whole problem, and this is where the farmer is over the barrel.

Mr. CLERMONT: Mr. Chairman, I am inclined to go along with Mr. Hales, in his view. If you will turn to page 18 of the brief, you will note that it says:

We have noted with considerable interest that from time to time there is a hint that major manufacturers may be involved in a type of combine where farm equipment prices are concerned.

Then, you go on to say that this is somewhat doubtful, as far as you are concerned. Also, you gave an example where five different block men did, in the course of one week, visit a franchise holder in an effort to secure his services for their particular company. As I said, you stated that there is no such thing as a combine. Is that the only example you can give us?

Mr. CHARETTE: Constant competition is the only example I have, and that is my own observation from visiting all phases of the industry.

Mr. ALLINSON: May I say a word, Mr. Chairman, in regard to competition from companies other than their own? There are plowshares and a few other small items which are made by outside companies. There is a company making "Will Fit" plowshares. In fact, there is more than one company doing this. There are various prices attached to these plowshares, and we find, invariably, that the prices are very much in line with the quality offered. We have noted that our farmers are not buying the cheaper share.

Mr. MONTGOMERY: In other words, you get only what you pay for?

Mr. ALLINSON: Yes.

Mr. SMALLWOOD: In connection with repairs, I drew Massey-Ferguson's attention to the cost of a feeder chain on the No. 79 combine. That chain was roughly \$75 a few years back, and the same chain last year cost \$110. Do you dealers have any idea why the price of that chain jumped to that extent?

Mr. ALLINSON: Would it be an obsolete item, one that is not used today?

Mr. SMALLWOOD: No; it was used from 1953 to 1958.

Mr. ALLINSON: I know, from our experience, that the cost of parts which are seldom used and, therefore, not in stock, normally is higher in price.

Mr. SMALLWOOD: This is a fast-selling chain, so your argument would not apply. I have been unable to find the reason for this, although I have my own ideas on it.

The CHAIRMAN: Have you a question, Mr. Southam?

Mr. SOUTHAM: I have a supplementary observation to make, Mr. Chairman.

I come from an area where there are many small villages and hamlets. It has been brought to my attention that after the rush let up after the last war, when we had our big sales of farm machinery, our farmers found themselves well supplied, and the dealer himself, in order to stay in business, has had to depend more and more on the disposal of repair parts. The suggestion has been made to me by the farmers in my constituency that the price of repair parts has gone up at a greatly accelerated speed. That would bear out Mr. Smallwood, a very practical farmer, who has said, that in the course of a couple of years there has been a 25 per cent increase in a feeder chain. Farmers think there is a tendency on the part of dealers to increase their profit and, as they are not selling sufficient units to show a good profit, they are depending to a larger extent on the sale of repair parts.

Mr. SYKES: I think it is unfortunate, but we have been led a little astray in the pricing of parts. As has been stated, there is a parts price book, and our dealers adhere to the price list. Although this group is willing to satisfy your request, I feel that the pricing of parts is the manufacturers' responsibility.

Mr. HALES: Has your organization ever appealed to the manufacturers along this line, and said to them: "Here, gentlemen, these prices are too high. Our farmer customers are complaining; we feel they are too high, and we therefore ask that you reduce these prices." Has your association gone that far?

Mr. SYKES: No, I would say not. I know of appeals by our dealers to their suppliers in some years past, but the appeal was: For goodness sake, allow us a little wider margin in order to sustain our operation.

Mr. HORNER (*Acadia*): In other words, this 27 per cent has grown, rather than reduced?

Mr. SYKES: No.

Mr. HORNER (*Acadia*): It has not?

Mr. SYKES: No.

Mr. HORNER (*Acadia*): It has remained the same over the past ten years?

Mr. SYKES: We were not very successful.

Mr. SOUTHAM: Mr. Chairman, I have another supplementary question. I would like to refer to percentages, and I am going back to some of the testimony we had with former witnesses. Going back over a 10 or 12 year period, it was said that machinery was about half the cost then that it is now, and using this 20 per cent formula on the over-all general mark-up, a combine in 1948, worth \$4,000 would give you \$800. Then, 14 years later, if you applied the same percentage, you find that a combine worth \$8,000—and that is twice the amount—would give you \$1,600. You will note that there is quite a large

jump there in the proportion of profits. The suggestion has been made to me that that percentage be cut down to 15 per cent, when you get up to these big units, and in that case that would give you a \$1,200 mark-up. Then, to project it further, for another 12 years into the future, say the same combine cost \$16,000, the result would be \$3,200 of profit. Is the cost of operating a business accelerating at the same percentage as the mark-up you are taking?

Mr. SYKES: My own observation would be that we all are well aware that the cost of living index and the cost of making a living index has gone high, and to boil that down, from our point of view, we cannot live on any less net profit.

Mr. SMALLWOOD: Do you find that the value of your trade-ins increase as the price of machinery goes up?

Mr. DICKSON: The value of your trade-in is worth more today than it was ten years ago. In other words, where there is not any trade-in, cash is taken off automatically.

Mr. GUNDLOCK: I have a supplementary question. You were talking about the cost of living index. In all fairness to the machine companies and the dealers, do you have a comparison, shall we say, as related to what is commonly referred to as inflation—general index as compared to the farm machinery price index?

Mr. SYKES: I am not speaking from any figures or statements; I am speaking from an opinion of my own as it affects my pocket. Although I am not a dealer, I am thinking of a dealer's pockets, when they go to pay out. Let me explain the situation this way. I am the employee of the board of directors, who are farm equipment dealers. Our office is in Toronto. I require secretarial help. I have had members of my board of directors tell me that they can hire a secretary in their community at \$25 a week, and why can I not do so. But, the same service to me in Toronto, on that basis, is \$65 to \$70 for the type of people I am looking for. I probably am wandering from the farm equipment industry, but I am attempting to bring out the fact that while conditions may vary from one community to another, everyone is looking for more money for the services that they are rendering.

Mr. GUNDLOCK: Mr. Chairman, I am a little bit doubtful as to whether the witness got my point. I was referring to the general machinery price index as compared to what is commonly known as the general rise, or some people refer to it as inflation. Is the farm machinery price higher on the same incline, or is it lower?

Mr. HORNER (*Acadia*): On page 52 of the evidence—

Mr. GUNDLOCK: In other words, what is the opinion of your dealers on this?

Mr. SOUTH: May I have that question again?

Mr. GUNDLOCK: I was trying to get the formal opinion of the dealers' organization as to whether or not the price of farm machinery has generally followed what we all commonly accept is a general incline—what some people commonly refer to as inflation. Is the price of farm machinery following the same incline, or is it lower?

Mr. SOUTH: I think you will find the price of farm machinery has climbed—

Mr. GUNDLOCK: In relation to all other commodities?

Mr. SOUTH: —in relation to how much more the farmer pays for his other goods, such as automobiles, television, and even his boots.

To answer this gentleman's question about the 20 per cent on higher priced equipment, like a \$6,000 combine compared to a \$2,000 trailer combine a few

years back, I admit, and I think we all admit, we try to adhere to the book price on parts. We do that for various reasons, one being that I do not know how else you could possibly handle it when you have thousands of parts on hand. You have to have something to go by. However, I may add that I do not remember having sold a tractor for the full list price. In fact, I think I would be laughed out of business if I even suggested it.

Mr. SHIELDS: This gentleman, Mr. Southam, referred to the \$4,000 combine and related it to the combine of today. The question we should keep in our mind is what was the combine he was talking about at that particular time. If he does that I can refer it to the Massey-Ferguson number. Was it the 21, which had a 22-inch cylinder, or the 27 which had a 23-inch cylinder and a draw bar with an electric lift? One can carry on to the combine like the 90, which has a 38-inch cylinder, with hydraulics and power steering.

If you take a lump sum figure, and the D.B.S. say so many combines were sold this year for so many dollars, and so many combines were sold last year for so many dollars, I think in all fairness to the farmers these figures should be broken down so that we can take the additional units and compare them, because there are changes in equipment which have helped to reduce some of the cost. Some of this equipment may have shield bearings which bring the cost down, and may have additional equipment which lowers labour costs. Therefore, some of the cost you mention should be weighed in relation to the item involved, and some consideration should be given to the various changes which have come about in the farm equipment industry.

These are factors which I suggest should be considered. I may mention that when I left the police force in 1948 my salary was under \$200 a month, while a constable today earns about \$350. There are changes everywhere we look.

Mr. GUNDLOCK: If I may deviate for a moment—and I shall return to the same question again—I have had a dealer tell me that “Ten or 15 years ago you were satisfied to take a tractor and drill to do so many acres a day and, if you are willing to take the same tractor and do the same work, without the drills, we can give you a tractor for the same price today.” Is that a fact or is it very close to a fact? In other words, 15 years ago we were content to ride a tractor with a steel wheel and lugs, minus hydraulics and all the other frills, to do so many acres a day. Now, for the same money, or close to the same money, can we accomplish that same thing today?

Mr. SHIELDS: Does the dollar buy the same—

Mr. GUNDLOCK: In relation to the value received.

Mr. SHIELDS: —in relation to the value received for the equipment? It must be remembered the equipment the farmers buy, they buy by choice.

Mr. GUNDLOCK: But, basically speaking, if we were content with the tractor we bought, say 20 years ago, how much difference would there be in its price today?

Mr. SHIELDS: I would say the material and labour involved, the increase in labour costs and the amount of tooling from that period to this period, would have to be taken into account.

Mr. GUNDLOCK: I have actually had a dealer argue that point with me and say: “We can give you almost the same service today as 15 years ago, for almost the same money”. They are admitting that automation and other things are producing the same equipment cheaper today.

Mr. CHARETTE: But the manufacturers do not produce the same product today as they did ten years ago.

Mr. GUNDLOCK: But they build a product which will give the same result, if we were contented with it as farmers.

Mr. CHARETTE: That is the big issue. That is where the difference lies.

Mr. GUNDLOCK: Admittedly none of us are content.

Mr. SHIELDS: I have a hard time selling a tractor only five years old.

Mr. GUNDLOCK: Returning to my former question, if I may, I think you probably misunderstood it. We are all familiar with what some people call inflation. I do not like to use that word myself, and term it the incline in prices generally. You have mentioned the increase in the cost of television and automobiles, and what I want to know is, is the price of farm machinery in that same incline or should it be above it or below it, in your opinion as a dealer organization? As a matter of fact I should add that we had a previous witness tell us that it was lower. I wonder would your association, as a dealer organization, agree with that?

Mr. CHARETTE: I think if you relate it to the horsepower of a tractor—

Mr. GUNDLOCK: No. I am only speaking generally.

Mr. CHARETTE: We cannot compare anything if you are just taking it generally. A few years ago a tractor with two horsepower was a three-furrow plow, but to-day that horsepower has increased so much at the demand of the farmers that we cannot compare it with lower horsepowers.

Mr. GUNDLOCK: I realize that.

Mr. CHARETTE: We cannot compare it, unless we take the cost per dollar per horsepower.

Mr. GUNDLOCK: I realize that, but we are speaking generally on farm prices. One witness who appeared before us said that farm machinery prices are below the general incline in the period we are speaking of. That is, in relation to automobiles, television sets and washing machines.

Mr. DICKSON: I would say that is my own opinion. We have to take it into consideration in general with the other lines of stuff we buy now. For instance, the shoes I have on, the same type of shoes, cost me \$10 or \$12 in 1948, but to-day they cost \$25 for exactly the same shoes.

I would think that the machinery as a whole might be not as high as some of the other materials we use—that is my own opinion.

Mr. ALLINSON: Actually, if I may go back seven years ago, my father bought his first tractor on steel wheels, it was maybe 20 years ago, and it took the price of ten cows to buy the tractor. Today, with ten of the average farmer's cows, you can buy a much better tractor.

Mr. FORBES: Do the manufacturers have a uniform contract or agreement with all the machine companies, and if they do is there a clause in the agreement requiring the dealer to charge prices that are quoted by the company?

Mr. CHARETTE: No. You cannot hold them down; the company does not hold us down to the suggested price. It is a suggested price and we can do whatever we like with it. It is not a price combine as far as we are concerned, but we very seldom get the price that is suggested. We cannot get it, that is all.

Mr. FORBES: That is the thing that bothers the farmer. He thinks the agent is doing what he likes respecting prices and repairs.

Mr. HORNER (*Acadia*): My question is on another point.

Mr. KORCHINSKI: I have a question on this point. In relation to the suggested price on parts I think you suggested that you normally follow the suggested price because you do not make a profit—if I am quoting you correctly—except in cases where you pick up the phone and the farmer comes in and wants his part; you can then have it expressed the same day. Did I understand you to suggest that in those cases you can make a profit?

Mr. CHARETTE: On those calls?

Mr. KORCHINSKI: On the parts.

Mr. CHARETTE: We still follow the suggested price list.

Mr. KORCHINSKI: But I understand that you can make a profit.

Mr. CHARETTE: If there is a phone call, we will ask a customer: would you be prepared to pay the phone call of 85 cents to get the part; because if he comes late in the afternoon even a wire or a letter will not get there for the same day.

Mr. KORCHINSKI: That was my question. The other question is: What would happen with express charges? Is it normal procedure to ask the farmer to pay for express charges in this case? You assume these?

Mr. CHARETTE: Generally, those parts come in by freight, but if there is the least amount of express, if it is only one parcel, it may be 75 cents, but if you have got two or three parts, the price is very negligible per part.

Mr. HALES: Just to finish this question on parts, and I think we will then have covered it. Are we right, first, in assuming that the farm machinery dealers have a suggested price laid down to them by the manufacturers for all the parts they sell? Secondly, the manufacturer of that part has a combine because his parts would only fit his machine.

Mr. CHARETTE: You cannot call that a combine.

Mr. HALES: He has a monopoly because those parts will only fit his machine; therefore, if he has a monopoly on those parts, about the only way we can get down to the basic problem here is to take one of those parts—any part you like—of any machine and have the combines investigation people make a research study on how much steel was in it, how much labour was in it, how much overhead, how much allowed for this, that and the other thing, and then see if that is a fair and legitimate price for which the farmer should be charged. How much further can we go than that on this study of parts?

Mr. CHARETTE: We are getting out of our jurisdiction. We cannot answer you as it would not be in our department to make such a request. As far as the companies are concerned, for a tractor, for instance, a similar part on one tractor would be approximately the same price as another similar part on the same sized tractor. That is the reason why we feel that there is competition between the companies.

Mr. HALES: In parts?

Mr. CHARETTE: Yes; if a farmer comes over to your place and he buys a part, he will remember four or five years from now that he bought such and such a part that will fit in that generator, and he will say, if it is higher from one firm than from the other: by heck, the next time I am going to buy such and such a tractor from this firm as the parts there are cheaper. So there is competition.

Mr. HALES: But until he changes his make of tractor, he has no alternative.

Mr. CHARETTE: As far as the news is concerned among the farmers, that is the best newspaper there is.

Mr. HALES: I do not follow that.

Mr. CHARETTE: I mean advertising.

Mr. HORNER (*Acadia*): On page 9 of the brief they say that the dealer is called rather than invited in to attend company-sponsored meetings. Does the dealer have to go, and does he have to pay his own way?

Mr. ALLINSON: I could answer that and say that nobody takes you by the hand and drags you there, but you are under obligation to get informed on the company's newer products and the company's sales policies, and so on. I would say: yes, you do pay your own way.

Mr. HORNER (*Acadia*): I have a supplementary question to that. At the top of page 9 you say that when the entertainment and the trip is over, the dealer sometimes signs to his consternation a sales order for a much larger amount of goods than he can conveniently handle. I think they are referring to his purchase of new equipment, not parts. Is he stuck with that amount of goods that he cannot handle?

Mr. ALLINSON: To that I can say that I was a party invited as an outside dealer to a long trip. I enjoyed it very much and several dealers who went with me became dealers of that company, signed large orders—probably because they were carried away a little—but whether or not they stuck with them I cannot tell you. The outcome of the trip was that several dealers changed their dealer franchises and came home with large orders.

Mr. HOWE: I have another question, Mr. Chairman, in connection with this same dealer-company relationship. On the bottom of page 9 it is indicated that service schools are conducted by the companies, and dealers are encouraged to send their personnel so as to keep informed on the mechanical functions and services required for their own company's equipment. Then I notice, on page 10, that this is charged to the dealer later—he finds it on his invoice. Farther down, in the same paragraph on page 10, I see where the advertising, and one thing and another, are charged up to the dealer on a pro rata basis on his monthly invoice. Is that added to the cost of a certain machine each time he buys one order, he then gets a statement at the end of the month showing how much he has to pay towards these promotional campaigns, or is it added to the price of the machine?

Mr. SYKES: No, those are parts of the dealer's overhead expenses. That does not alter the picture as far as placing the goods is concerned.

Mr. HOWE: Does this pro rata amount for advertising and schools appear on the invoice?

Mr. ALLINSON: In regard to the amount charged back to the dealer for, let us say national advertising, the companies I represent do not take any part in local advertising. In other words, we do not get any financial support for ads we put in our local papers. They say that instead of giving us an amount of money for local advertising, they use that amount of money, proportionately to it, for national advertising. Now on special advertising where we get invoices for certain mailings, maybe three or four times a year, literature will go to the farmers in your district direct from the company's office. That literature will be charged to the dealer. He will get an invoice for so many cents per copy, covering mailing, postage and so on. Maybe two or three times a year they will get a special package of advertising material. That will be charged to us on a special invoice for that particular package. We may use that for banners and things to put up in our shop, probably new leaflets, extra supplies of illustrated literature, and so on. That is charged directly to us on an invoice to that effect.

Mr. HOWE: National advertising is included?

Mr. ALLINSON: I have never had a bill for national advertising, and I have been told by my companies that instead of giving us a proportion of the local advertising they would take that proportion which would normally be mine and use it for the benefit of national advertising, and people in my territory would get it through the national newspapers.

Mr. CLERMONT: Have you any idea of the percentage which comes from your company—1 per cent or $\frac{1}{2}$ per cent?

Mr. ALLINSON: I am not able to answer that.

Mr. HOWE: I felt that according to that paragraph some of the national advertising was charged back to the dealer—large newspapers and television programs and things like that.

Mr. ALLINSON: I cannot say. I know that it is not by my company, but I understand there are companies where the dealers are charged a proportion of the television program costs, and so on.

Mr. HOWE: Where does that appear on the dealer's invoice? Does it appear as an extra charge on the bottom of the invoice?

Mr. ALLINSON: I could not answer that because it is not my company. I have never received one.

Mr. MILLIGAN: Do you supply the names of the people to whom this literature is sent by the companies?

Mr. ALLINSON: Yes, they ask us to send in a mailing list of the farmers in our area and the company in turn mails the literature direct to them, on the list we give them. Then they send us an invoice at so many cents per name for mailing it.

Mr. MILLIGAN: In other words, you would have control of that, because the charge would compare with the number of names you send in.

Mr. ALLINSON: Yes. We are charged so much per name on the mailing list.

Mr. HOWE: Is there anything to indicate what the companies charge their dealers for this national advertising?

The CHAIRMAN: Are there any dealers who can answer that?

Mr. SOUTH: I think the company we are thinking about is not represented here.

Mr. HOWE: There is just one company which does that, that you know of?

Mr. SOUTH: All I know of is what dealers from one particular company have told me, that they do pay a share of this advertising. If we want to supplement it in any case, if we want to have our name on the trailer of a national T.V. program, we pay the television station for that. Or, if it is a national broadcast and we want our name added, we pay for that. Our company has discontinued charging us for some years now for a share of the advertising costs.

Mr. HENDERSON: The firm would be Massey-Ferguson then?

Mr. SOUTH: Yes.

Mr. SYKES: I must say, as an independent person, that I am sorry we do not have representatives here from all of the manufacturers. In my own experience I have seen two instances of the invoices you ask about. It is a separate invoice, marked advertising, and the figure appears.

Mr. HOWE: The figure appears—it is not added in in the price of an individual machine as it comes along?

Mr. SYKES: No, it is treated in the same manner as a parts invoice which is payable in 30 days, cleaning it up at the end of the month.

Mr. GUNDLOCK: A few questions ago there was talk about competitive prices of parts. There is one part in particular in which there is quite a good deal of competition, and I would like to have your opinion about it. I am referring to ball bearings, as related to some of the farm machinery in manufacturers' prices and, shall we say, the automobile price. I heard the word generators mentioned, and it is a good example. A generator bank for a tractor costs a little more than it does if you go to an automotive dealer, or some independent bearing dealer. The front wheel bearing is an example.

Mr. SYKES: I think it would be the other way around.

Mr. ALLINSON: I could cite a case. We happen to be in a location where in case of necessity we can buy a certain bearing from an automotive wholesale outlet. Normally with the bearings we try to carry, we get them through our company. But there is a difference. Right offhand, I think the difference is about 20 per cent in favour of the agricultural implements.

Mr. GUNDLOCK: I have found just the opposite in my experience, but it was with a different company probably. I can buy a bearing from a truck parts list, and it works all right on a tractor.

The CHAIRMAN: Gentlemen, it is now past 5.30. It is possible we may finish by six o'clock if we do not entertain too many supplementary questions. I have the names of four gentlemen who wish to speak. They are Messrs. Forbes, Montgomery, Horner (*Acadia*), and Clermont. When they are finished, we might get back to supplementary questions.

Mr. KORCHINSKI: I do not know what you are going to do in my case, because my question was not a supplementary one.

Mr. MONTGOMERY: I have been sitting here today, and I do not think we are getting very far by way of obtaining the information that we want to help us in our report. I would like to compliment the people who drew up the brief on this point. I think they went into it from their standpoint. I think they have shown us the information that we need to indicate where they fit into this picture.

As I see it, with respect to farm machinery they are supposed to be operating within a bracket of 20 per cent. But I believe from the information we have received to date that very few of them at least ever get that 20 per cent.

On the parts side of it, the bracket is 27 per cent. We may try as hard as you like, but I do not see how we can press these people down so that we can bring the cost of farm machinery down.

We are out to see where to place the blame for the high cost, as some people put it. So I shall end with this question, and stop there. I do not think that all these little details we have been going into are going to help us much. I would like to ask this question: have you a suggestion—I see none in the brief—but have you any suggestion as to how the cost of farm machinery could be reduced? From your own knowledge and within your sphere or field of operations, have you any suggestions as to how the cost of farm machinery can be reduced?

The CHAIRMAN: Which one of you gentlemen cares to try that one on?

Mr. SOUTH: There was something which was not mentioned here when trying to answer the general question on the full overall increase of farm machinery equipment. Was that not your question?

Mr. GUNDLOCK: As compared to the general incline of all commodities, export goods, and durable goods.

Mr. SOUTH: In my own particular case, in connection with the last 100 tractors I sold, about 95 of them were made outside of Canada. I think this shows that there is this sliding scale.

Getting back now to the question about parts, we imported filters for all makes of tractors and sold them for about half the price of a Canadian distributed filter. But now the government makes us pay duty and sales tax on these very same filters, so now we are not handling them any more.

Likewise with the parts you mentioned. They can be, or could be made to fit. There are plenty of places outside Canada where many parts fit various makes of machines. Some cost considerably less money. But there again we are stopped by import restrictions.

Mr. DUNLOP: Are you saying there should be a duty on farm machinery repairs?

Mr. SOUTH: It has been brought out here before I came that a tractor coming over from Detroit with a power take-off unit on it could come in with no duty on it.

Mr. GUNDLOCK: But that was corrected some years ago.

Mr. SOUTH: If you get a power take-off attachment in Detroit now, you have to pay duty on it. And while we are supposed to have free trade, in the case of a steel farm wagon, coming from the United States, the importer has to pay duty on it. There is no question about that.

Mr. GUNDLOCK: Let us get back to the power take-off unit. I understand that was the case a few years ago, but that now it has been corrected.

Mr. SOUTH: It comes up every time we try to bring anything across like that.

Mr. GUNDLOCK: I mean a new item.

Mr. SOUTH: I think if you go back to your power take-off you will find the same problem every time.

Mr. GUNDLOCK: Is the power take-off dutiable now?

Mr. SOUTH: Yes.

Mr. GUNDLOCK: Who answered in respect of this this morning?

Mr. SYKES: I did. I think there is a little difference between Mr. South and me on this. I will go along with Mr. South on the filters and many things that are interchangeable. We talked about batteries, tires and so on. I think one of the biggest problems facing the farm equipment dealer is what we usually refer to as the end user certificate. I believe it is possible for Mr. South to bring the filters in. He will pay duty on them. He will sell them for agricultural products. He will get an end user's certificate and will get reimbursement two or three years from now; maybe I am extending myself a little, but I know it will be six months.

Mr. GUNDLOCK: That is a matter of opinion. Is the power take-off dutiable now that was not before, and are the repairs dutiable now that were before?

Mr. SOUTH: I was thinking about the power take-off drive shaft. I had occasion to bring in quite a few this year for snow blowers and there was duty on them.

Mr. GUNDLOCK: That is another matter. We are speaking about a power take-off now.

Mr. SOUTH: That was my error. I was speaking about a power take-off shaft.

Mr. HENDERSON: What about tires? That is something we all use on tractors. Are they getting higher or lower? I will tell you a story. I was in California. A chap was standing on the lawn and I said to him "what's doing?" he said "well, we have found out that Harvey Firestone made \$20 million and we are going to get a piece of it; we are going on strike tomorrow." They did. What happened? The tires cost more money.

Mr. HORNER (*Acadia*): On page 20 of the brief you go on to say that many manufacturers, in whose hands the fate of the dealer remains, are today closing out the dealer who fails to reach a satisfactory volume condition. Is this actually happening? Is it happening with all the major manufacturers?

Mr. ALLINSON: In answer to that I can only give you something which was said verbally at a meeting I attended where a certain representative addressed dealers. He told them that the day had come when the dealer selling less than \$10,000 worth of equipment could not be profitably serviced by any company and could not possibly survive himself.

Mr. HORNER (*Acadia*): But that has not actually happened yet?

Mr. ALLINSON: Not to my knowledge.

Mr. HORNER (*Acadia*): On page 21 you talked about tests and a similar test set-up in Canada. The Massey-Ferguson brief figured out that three per cent of their sales was spent in research and testing of equipment. They also said that the tests carried out by the Saskatchewan government cost them money. They did not say how much. They also said they contributed towards the Nebraska test. Do you really feel that if the Canadian government set up a testing program that it would not be duplicating the work done at Nebraska?

Mr. SYKES: They would be. Within the industry we have accepted the Nebraska test for many years. It would be a duplication. In my observation I could see that perhaps this committee would recommend testing. My fear is that it would require testing in each province. Frankly, I am opposed to so many testing centers. I think perhaps, in placing it as I have in the brief, that one Canadian test center would satisfy criticism from the user, assist the dealer in a knowledge of the ability of his machine, and would make for happiness.

Mr. HORNER (*Acadia*): But, we are worried about the costs. We do not want to increase the cost of these machines; we want to keep them down. Massey-Ferguson already are spending 3 per cent of their sales on testing and research. They claim the Nebraska test costs them money, and that the Saskatchewan tests cost them money. Should we, as a committee looking into these matters, recommend that a further testing station be set up? You did say that it would be a duplication, to some extent, of the Nebraska test?

Mr. SYKES: Keeping in mind what this committee is working towards, I would say definitely no.

Mr. CLERMONT: Mr. Chairman, the witnesses were asked this morning if it would be possible for them to leave some blank contracts with the Committee.

Mr. SYKES: We have only a very few. This is an agreement form of Commercial Credit Corporation.

Mr. CLERMONT: On page 7, you mentioned competition, and on page 11, you mentioned trade-ins. Keeping this in mind, would not that place you in the same sphere as other businesses, such as the white goods industry, and so on, where competition, in itself and, in so far as trade-ins are concerned, is very keen. Do you not think that the situation is the same everywhere in this competitive world today?

Mr. SYKES: I agree with you.

Mr. HORNER (*Acadia*): About the middle of page 18 of the brief, it goes on to say:

While there are no closed territories for the farm equipment dealer, there is an understanding that he has such-and-such a territory.

In other words, some dealers agree on areas in which they will operate. Is this a widespread practice?

Mr. SYKES: Agreements in so far as territories are concerned?

Mr. HORNER (*Acadia*): Yes.

Mr. SYKES: I would suggest that when a dealer takes a franchise from a company, it is generally assumed that such-and-such a territory is their area. I think it is quite general. In some cases, though, it might create a bit of confusion.

The CHAIRMAN: Who maps out that general area, the franchise dealer himself, or the company?

Mr. SOUTH: Although most contracts call for an area, there are no defined lines of territories.

The CHAIRMAN: In other words, it is an unwritten definition of your boundaries?

Mr. SOUTH: Yes.

Mr. MONTGOMERY: It could overlap?

Mr. SYKES: May I contribute something to the committee? Through an interchange of literature and so on, it has come to my attention that a survey was made in the United States as to whether or not the farm equipment dealers would be content in a bill being presented to their government to give dealers closed territories. The result of that survey was that the dealers were in favour of closed territories in the United States. I am not saying that the same applies in Canada, but that was the majority opinion there.

The CHAIRMAN: Mr. Korchinski?

Mr. KORCHINSKI: Mr. Chairman, I want to revert to a question which I have been trying to bring in for some time.

Do these manufacturers insist that you have a particular type of building, showcases, storage bins, so much space for this and that, and so on, as well as having to have a mechanic? Is this their general policy?

Mr. SOUTH: No manufacturer is forcing the issue now. After the war, when it was a pretty profitable business, the companies were in a position to force that on the dealers, with the result that a lot of premises were put up. They have made suggestions to me as to how I might modernize my place, or rebuild my parts department, but at no time have I had any pressure put on me to spend money which I did not think was practical.

Mr. KORCHINSKI: I can remember a case where they asked the dealer to move from one town to the next, and that was an expenditure that he had to recover from the farmer. This is my point. If this floor space had to be there for storage and display, it would result in increased licensing, and so on. Am I to understand that this is not a general policy?

Mr. SOUTH: You say a company asked them.

Mr. KORCHINSKI: As far as I know, they asked them to move. So far as I know it was company policy, and they moved seven miles.

Mr. SOUTH: I do not know of any case of that happening.

Mr. KORCHINSKI: In other words, you can absolve the manufacturers and say they had nothing to do with it. If they built larger show cases, it was the dealer's own responsibility?

Mr. SOUTH: There was no pressure put on me at any time to spend money that way.

Mr. KORCHINSKI: Some of the manufacturers have pulled out their warehouses from certain points. In the case I am familiar with, they used to have a distribution point at Yorkton but now the distribution point is in Winnipeg. Instead of a phone call costing 35 cents it is now \$1.55 and that, in the end, is recoverable from the farmers. The machinery companies, in order to make their operations more efficient have not weighed how this is going to affect the farmers' savings in any way.

Mr. SYKES: An area very close to us had a distribution centre, or a branch, at one time, which made it very easy to get many of these items overnight, or within a matter of a few days. However, it was made very difficult when the branch was closed and dealers over a wide area were left without it. The point I am trying to make is that now the dealers must order their next year's stock in November, due to that lack of service. The dealer must now take the responsibility in his own area and he invests his own money in the parts, in order to serve his customers. That is our opinion on that particular situation, from the dealer's point of view.

Mr. SOUTHAM: I have a supplementary observation to make on this discussion about the pattern which has been developing in the farm machinery industry, the pattern which is moving from the small distributor to the larger one. We have had evidence given before this committee, and it has been discussed here to-day, that there are fewer dealers operating to-day. In your opinion, would it reach saturation point when this pattern would become more costly for the customers? I am thinking in terms of a farmer going 20 or 30 miles in order to make a deal or get service. When do you think we will reach the saturation point, when distance would mean increasing the cost to the farmer of purchasing his machinery and getting service? Do you think there is room for further development in that reduction of dealerships? We hear complaints about this in remote areas where farmers have to go 20 or 30 miles to get service from Massey-Ferguson or Case.

Mr. SYKES: Mr. Allinson mentioned a few minutes ago, or rather his answer suggested it was general company policy that the smaller dealers will disperse.

Mr. SOUTHAM: My point is that I do not want the cost increased to the farmers in getting service for their machinery.

Mr. SYKES: In my opinion it is going to increase the cost of the dealer's operation. He will have to have more parts in his place of business, and that means his overheads are going to rise. It is going from a small operation to a big one.

Mr. SOUTHAM: That would answer my question. It would be axiomatic for the farmers to pay more in the long run. The customer will have to pay that much more of the cost in order to support the dealer.

Mr. MONTGOMERY: But is not the dealer operating within the 20 per cent bracket, and so it does not matter if there are 10 dealers or 20 dealers?

Mr. SYKES: That is what I should like to say, that the dealer, is more or less harnessed to the price and if the dealer's price goes up—

Mr. SHIELDS: The volume has to increase too.

Mr. SYKES: And that might be where a slight volume discount could assist him.

Mr. HOWE: Supplementary to these questions regarding size of dealers and the number of small dealers going out of business, we all know of small dealers who have their wives assisting them in their business but, when they become big dealers they have to have hired help, expensive help. Is this trend towards larger dealers good for the farmers?

Mr. SOUTH: I would say it is good for the farmers in that I do not think the small dealer, who has his wife helping him, can give the service which farmers require today. Such a dealer cannot afford a shop with several thousands of parts and special equipment. In any case, so far as parts equipment is concerned, there is more variety today, and therefore I think it is for the good of the farmer to have a larger dealer.

Once they get into that business, it is their way of life, they are stuck. As someone suggested here, in Manitoba he could not sell out if he wanted to. It is not that lucrative, but it is certainly the best deal for a farmer. We probably talk from a selfish point of view because they have large dealerships.

Mr. WEBB: I was wondering if the companies had a minimum shipping charge on small parts. On appliances, they might get a 15-cent spring but when a farmer gets it it would cost him \$15. It does cost the companies considerable to process invoices and packages. You could get three of the springs for the same price for which you get one. Did that enter into a lot of the small parts?

Mr. ALLINSON: The major line companies. I do not know about some of our smaller specialty lines, getting back into maybe lawn and garden equipment—they do have a minimum of \$2. If you order more than \$2 worth, you get everything that is charged, but the minimum package is \$2. To the best of my knowledge, that does not exist in any of our major companies.

Mr. BOULANGER (*Interpretation*): I do not know if this question has already been put, but who pays the shipping charges from the manufacturer to the dealer?

Mr. ALLINSON: The dealer.

Mr. HOWE: I have one further question with regard to this suggestion that in the United States they are talking about closed territory. If we get that in Canada, do you think that will increase the cost of farm machinery to the farmer? Will it reduce the competition?

Mr. CLERMONT: I will move that the agreement of purchase be placed as an appendix.

Mr. HALES: Mr. Chairman, I have one question.

The CHAIRMAN: Just a moment, there is some other information that was asked this morning. Mr. South brought it forward. Is it agreeable that this agreement of purchase be placed as an appendix? The committee is agreed.

Mr. HALES: Are the certificates used to any great extent, Mr. Sykes?

Mr. SYKES: Yes.

Mr. HALES: Did I understand you to say that it took as high as three years to get your money back for them?

Mr. SYKES: I did not go as far as three years—I said two.

Mr. HALES: Your association would then recommend that we bring this to the attention of the department to speed up their return? We will be very glad to put that recommendation in our report.

Mr. SOUTH: I am wondering if this gentleman has his information correctly. We have certificates for imported machines of any kind, in which case we do not pay the tax or duty in advance. It is only on special occasions on some specialty item coming in, possibly from the United States, where it has been paid and we apply to get it back. But do not let us get it wrong on imported tractors. The dealer or customer does not pay that, but he does sign that it is used for agricultural purposes.

Mr. MILLIGAN: You do not have duty on tractors or machinery coming from the United States?

Mr. SOUTH: You have to prove in the certificates that it is for agricultural purposes.

Mr. MILLIGAN: Then there is no duty charged?

Mr. SOUTH: If we do not use the certificate, the company will charge it back to the dealer.

Mr. HORNER (*Acadia*): On page 15, on mechanics, my question is: are mechanics generally hired by the hour?

Mr. CHARETTE: By the hour.

Mr. HORNER (*Acadia*): This unassigned time of one hour per day, would it not be a factor in charging \$3 an hour?

Mr. SHIELDS: Hours are assigned by the manufacturer.

Mr. HORNER (*Acadia*): Do you pay them for an eight hour day, whether they put in an eight hour day or not?

Mr. SYKES: Yes.

Mr. HORNER (*Acadia*): That would mean paying them per week or per month, and not actually by the hour.

Mr. SYKES: They are not paid by the hour.

Mr. HORNER (*Acadia*): I have one other suggestion. It is that the clerk of the committee should contact some of the other firms such as J. I. Case, Oliver, Allis Chalmers, and Minneapolis-Moline to see if they would submit briefs to this committee. This arises out of the remarks made by Mr. Emmert, the vice-president of Massey-Ferguson who suggested that we hear from as many manufacturers as possible. I should particularly like to have these four companies. While they may manufacture in the United States, they still have a sales agency and distribution system in Canada. I feel we should have them before the committee to have their views as to their distribution costs, or manufacturing costs.

The CHAIRMAN: If it is agreeable, I will ask about that at the next subcommittee meeting.

I am sure we are unanimous in expressing how much the members of this committee appreciate having Mr. Charette, Mr. Sykes and the other members of their organization here today to give some information on the position in which they find themselves as dealers.

Mr. SYKES: Mr. Chairman and gentlemen, we would like to say how much we appreciated your cooperation, and that we have enjoyed sitting in at this committee. Thank you very much.

The CHAIRMAN: We thank you very much indeed for your contribution today. We will adjourn now until Friday, May 12, at 9.30 a.m. when the International Harvester Company representatives will be in attendance.

APPENDIX "A"



COMMERCIAL CREDIT CORPORATION LIMITED

Purchase Agreement

DATE

DEALER

SELLER

DEALER TOWN AND PROVINCE

PRINT BUYER'S NAME

BUYER

BUYER'S ADDRESS, TOWN AND PROVINCE

SELLER HEREBY SELLS, AND BUYER(S), JOINTLY AND SEVERALLY HEREBY PURCHASE(S) UPON TERMS AND CONDITIONS HEREIN SET FORTH, (THE CONDITIONS ON THE REVERSE SIDE HEREOF BEING INCORPORATED BY REFERENCE AS PART OF THIS CONTRACT), THE FOLLOWING PERSONAL PROPERTY IN ITS PRESENT CONDITION, DELIVERY AND ACCEPTANCE OF WHICH IS HEREBY ACKNOWLEDGED:

YEAR	N OR U	MAKE AND TYPE ← INDICATE NEW (N) OR USED (U)	MODEL	SERIAL NO.	CASH SALES PRICE

SCHEDULE OF SEASONAL PAYMENTS*

\$	ON	19
\$	ON	19
\$	ON	19
\$	ON	19
\$	ON	19
\$	ON	19
\$	ON	19
\$	ON	19

*USE SPACES A, B, AND C BELOW FOR EQUAL MONTHLY PAYMENT SCHEDULE

TOTAL CASH SELLING PRICE

CASH DOWN
PAYMENT \$

TRADE-IN \$

DESCRIBE TRADE-IN

TOTAL DOWN PAYMENT

BALANCE OF CASH
SALES PRICE

DOCUMENTARY FEE

INVESTIGATION FEE

UNPAID CASH BALANCE

FINANCE CHARGE

TOTAL TIME BALANCE OF \$

MUST AGREE WITH TOTAL PAYMENTS

BUYER PROMISES TO PAY TO THE ORDER OF SELLER THE

AS SHOWN IN THE ABOVE SCHEDULE OF PAYMENTS, OR IN _____ EQUAL MONTHLY INSTALLMENTS OF \$ _____ EACH, EXCEPT THE
(A) (B)
FINAL INSTALLMENT WHICH IS TO BE THE AMOUNT THEN DUE, BEGINNING _____ 19_____, AND ON THE SAME DAY OF EACH
(C)

SUCCESSING MONTH UNTIL PAID. AFTER MATURITY, ALL INSTALLMENTS SHALL BEAR INTEREST AT THE RATE OF 10% PER ANNUM.

BUYER ACKNOWLEDGES RECEIPT OF AN EXECUTED COPY OF THIS AGREEMENT. EXECUTED IN QUADRUPPLICATE THE DAY AND YEAR FIRST ABOVE WRITTEN.

DATE PROPERTY DELIVERED >

ACCEPTED BY:

SIGN IN INK

X _____ (SEAL)

X _____ (SEAL)

DEALER OWNER, PARTNER, OR OFFICER

BUYER'S SIGNATURE

WITNESSED BY:

WITNESS

WITNESS

DEALER: COMPLETE ASSIGNMENT ON REVERSE SIDE

DUPLICATE ORIGINAL
THIS COPY TO BE SENT TO CCC

CONDITIONS

IT IS UNDERSTOOD AND AGREED THAT ALL PAYMENTS BY THE BUYER ARE TO BE MADE TO THE OFFICE OF COMMERCIAL CREDIT CORPORATION LIMITED, AS HEREAFTER DESIGNATED.

BUYER AGREES: THAT TITLE, OWNERSHIP AND RIGHT OF PROPERTY IN THE SAID GOODS SHALL NOT PASS TO THE PURCHASER UNTIL ALL SUMS DUE UNDER THIS CONTRACT ARE FULLY PAID IN CASH INCLUDING THE PAYMENT OF ANY NOTE, RENEWAL NOTE, JUDGMENTS SECURED, AND ANY AMOUNTS PROPERLY PAID BY SELLER TO OBTAIN POSSESSION OF SAID PROPERTY; THAT NO TRANSFER, RENEWAL, EXTENSION OR ASSIGNMENT OF THIS CONTRACT OR ANY INTEREST HEREUNDER, OR LOSS, DAMAGE, INJURY OR DESTRUCTION OF SAID PROPERTY SHALL RELEASE BUYER FROM HIS OBLIGATIONS HEREUNDER; TO KEEP SAID PROPERTY FREE OF ALL TAXES, LIENS AND ENCUMBRANCES; NOT TO CONCEAL THE PROPERTY OR REMOVE IT FROM THE PROVINCE IN WHICH IT IS LOCATED AT THE DATE HEREOF OR TRANSFER ANY INTEREST THEREIN OR IN THIS CONTRACT WITHOUT WRITTEN CONSENT OF THE SELLER OR ASSIGNS; TO PAY ALL EXCHANGE CHARGES ON PAYMENTS AND ALL RECORDING, FILING AND SATISFACTION FEES IN CONNECTION HERewith; IN THE EVENT OF DELINQUENCY TO PAY A REASONABLE COLLECTION OR DELINQUENCY FEE TO REIMBURSE THE SELLER OR ASSIGNS FOR EXPENSE CAUSED THEREBY; THAT SELLER'S ASSIGNEE SHALL BE ENTITLED TO ALL RIGHTS OF SELLER.

TIME IS OF THE ESSENCE OF THIS CONTRACT. IF BUYER DEFAULTS IN COMPLYING WITH ANY OF THE TERMS OR CONDITIONS HEREOF, OR SELLER DEEMS HIMSELF INSECURE OR THE PROPERTY IN DANGER OF MISUSE OR CONFISCATION (OF WHICH THE SELLER SHALL BE THE SOLE JUDGE), OR IF A PROCEEDING IN BANKRUPTCY, RECEIVERSHIP OR INSOLVENCY OR FOR COMPOSITION OR EXTENSION OF DEBTS OR OTHER OBLIGATIONS BE INSTITUTED BY OR AGAINST THE BUYER OR THE SAID PROPERTY, THE FULL AMOUNT THEN UNPAID HEREUNDER SHALL BECOME IMMEDIATELY DUE AND PAYABLE WITHOUT NOTICE, AND SELLER OR HIS ASSIGNEE OR AGENT OR ANY SHERIFF OR OTHER OFFICER OF THE LAW MAY EITHER: 1. COLLECT THE SAME BY SUIT OR OTHERWISE, OR 2. RETAKE POSSESSION OF SAID PROPERTY WITH OR WITHOUT PROCESS OF LAW, AND FOR THIS PURPOSE MAY ENTER ANY PREMISES WHERE SAID PROPERTY MAY BE FOUND AND REMOVE THE SAME AND CONCURRENTLY WITH ANY SUIT FOR THE UNPAID BALANCE HEREUNDER MAY, SUBJECT TO THE LAW APPLICABLE THERETO, SELL THE SAID PROPERTY EITHER AT PUBLIC OR PRIVATE SALE, WITHOUT NOTICE TO BUYER WITH OR WITHOUT HAVING THE SAID PROPERTY AT THE PLACE OF SALE, AT WHICH SALE SELLER MAY BID, AND APPLY THE PROCEEDS OF SAID SALE, AFTER FIRST DEDUCTING ALL REASONABLE EXPENSES AND CHARGES OF OBTAINING AND KEEPING POSSESSION OF SAID PROPERTY AND OF SAID SALE, INCLUDING REASONABLE SOLICITORS' FEES TO THE AMOUNT UNPAID HEREUNDER, AND ANY SURPLUS SHALL BE PAID TO, AND ANY DEFICIENCY SHALL BE PAID BY THE BUYER, INCLUDING ANY REASONABLE SOLICITORS' FEES AND COURT COSTS INCURRED IN THE RECOVERY OF SUCH DEFICIENCY.

THERE ARE NO REPRESENTATIONS, WARRANTIES, COLLATERAL AGREEMENTS OR CONDITIONS EXPRESS OR IMPLIED STATUTORY OR OTHERWISE WITH RESPECT TO THE PROPERTY OR THIS CONTRACT OR AFFECTING THE RIGHTS OF THE PARTIES OTHER THAN AS SPECIFICALLY CONTAINED HEREIN.

BUYER HEREBY WAIVES NOTICE OF ASSIGNMENT OF THIS CONTRACT AND OF TITLE IN SAID PROPERTY. THIS CONTRACT REPLACES ALL OTHER CONTRACTS OR ORDERS EXECUTED PRIOR TO THE DATE HEREOF.

WHEREVER THE WORD "PROPERTY" IS USED HEREIN IT SHALL INCLUDE THE PROPERTY DESCRIBED COMPLETE WITH ALL ATTACHMENTS, EQUIPMENT, ACCESSORIES AND REPAIRS ATTACHED OR APPLIED THERETO.

THIS AGREEMENT CONSTITUTES THE ENTIRE CONTRACT BETWEEN THE PARTIES, AND SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF THE PARTIES AND THEIR RESPECTIVE HEIRS, EXECUTORS, ADMINISTRATORS, SUCCESSORS AND SUBJECT TO THE FOREGOING, THEIR RESPECTIVE ASSIGNS, ANY PROVISION OF THIS CONTRACT PROHIBITED BY LAW OF ANY PROVINCE SHALL, AS TO THE SAID PROVINCE, BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION, WITHOUT INVALIDATING THE REMAINING PROVISIONS OF THE CONTRACT.

ASSIGNMENT MUST BE SIGNED BY SELLER

FOR VALUE RECEIVED, WE HEREBY SELL, ASSIGN, AND TRANSFER TO COMMERCIAL CREDIT CORPORATION LIMITED, ITS SUCCESSORS AND ASSIGNS, THE WITHIN CONTRACT, AND ALL RIGHT, TITLE, AND INTEREST IN AND TO THE PROPERTY THEREIN DESCRIBED, AND ALL RIGHTS AND REMEDIES THERETO, INCLUDING THE RIGHT TO COLLECT ALL INSTALLMENTS DUE THEREON AND THE RIGHT EITHER IN ASSIGNEE'S OWN BEHALF OR IN OUR NAME, TO TAKE ALL SUCH PROCEEDINGS, LEGAL OR OTHERWISE, AS WE MIGHT HAVE TAKEN, SAVE FOR THIS ASSIGNMENT; AND WE WARRANT THAT THE CONTRACT IS GENUINE, ENFORCEABLE, AND THE ONLY CONTRACT EXECUTED FOR THE PROPERTY DESCRIBED THEREIN; THAT ALL STATEMENTS THEREIN CONTAINED ARE TRUE; AND THAT THE PROPERTY WAS DELIVERED TO AND ACCEPTED BY BUYER.

IN THE EVENT OF DEFAULT BY BUYER IN THE PUNCTUAL PAYMENT OR PERFORMANCE OF HIS OBLIGATIONS UNDER THE CONTRACT, WE WILL, EXCEPT AS HEREINAFTER PROVIDED, ON DEMAND, PURCHASE THE INTEREST OF ASSIGNEE IN THE PROPERTY DESCRIBED IN THE CONTRACT IN ITS THEN LOCATION AND IN ITS THEN CONDITION, AND WILL PAY TO ASSIGNEE THEREFOR THE UNPAID BALANCE DUE THEREON, PLUS EXPENSES OF REPOSSESSION AND COLLECTION, IF ANY, INCLUDING, SOLICITORS' FEES. UPON OUR FAILURE SO TO PAY UPON DEMAND, ASSIGNEE MAY SELL THE PROPERTY DESCRIBED IN THE CONTRACT AT PUBLIC OR PRIVATE SALE, WITH OR WITHOUT NOTICE, AND WE SHALL BE LIABLE TO ASSIGNEE FOR ANY DEFICIENCY BETWEEN THE UNPAID BALANCE PLUS SAID EXPENSES AND THE NET AMOUNT THUS COLLECTED AFTER DEDUCTING COSTS OF SALE THEREFROM. WE SHALL NOT BE OBLIGATED TO REPURCHASE THE PROPERTY OR TO PAY ANY UNPAID BALANCE OR DEFICIENCY ON THE CONTRACT, OR OTHERWISE, IF ALL OF THE PROPERTY SHALL HAVE BEEN CONVERTED OR COMPLETELY DESTROYED BY CAUSES OTHER THAN THE USE THEREOF OR IF THE LOCATION THEREOF SHALL BE UNKNOWN TO US AND TO ASSIGNEE. IF A PORTION, BUT NOT ALL, OF THE PROPERTY SHALL HAVE BEEN CONVERTED OR COMPLETELY DESTROYED BY CAUSES OTHER THAN THE USE THEREOF, OR THE LOCATION THEREOF SHALL BE UNKNOWN TO US AND THE ASSIGNEE, WE SHALL ON DEMAND PURCHASE ASSIGNEE'S INTEREST IN THE REMAINDER OF THE PROPERTY AT ITS THEN LOCATION AND IN ITS THEN CONDITION, AND PAY THEREFOR THAT PORTION OF THE UNPAID BALANCE, PLUS SAID EXPENSES, AS THE TOTAL CASH PRICE OF THE REMAINING PROPERTY BEARS TO THE TOTAL CASH PRICE OF ALL THE PROPERTY. WE AGREE THAT ASSIGNEE MAY AUDIT OUR BOOKS AND RECORDS RELATING TO CONTRACTS SOLD TO IT AND AGREE THAT WITHOUT NOTICE TO US AND WITHOUT RELEASING OUR LIABILITY ASSIGNEE MAY RELEASE ANY RIGHTS AGAINST AND GRANT EXTENSIONS OF TIME OF PAYMENT TO THE PURCHASER, AND WE WAIVE PRESENTMENT AND DEMAND FOR PAYMENT, PROTEST, OR NOTICE OF PROTEST. WE SHALL HAVE NO AUTHORITY, WITHOUT ASSIGNEE'S PRIOR WRITTEN CONSENT, TO ACCEPT COLLECTIONS, AND/OR REPOSSESS AND/OR CONSENT TO THE RETURN OF THE PROPERTY AND/OR MODIFY THE TERMS OF THE CONTRACT.

DATED: _____

X

SELLER-DEALER'S NAME

Seller
(SEAL) 
Signs

BY _____

SIGNATURE AND OFFICIAL TITLE, IF COMPANY

(SEAL)

APPENDIX "B"

CONDITIONAL SALES AGREEMENT

CONTRACT NUMBER
19
BR.

\$ _____
 AGREEMENT made this _____ day of _____, 19____, between _____
 of _____, P.O., County of _____, Province of _____
 (hereinafter called the Vendor) and _____ of _____
 (Name of Purchaser)

P.O. in the County of _____, Province of _____.
 The Vendor hereby agrees to sell and the Purchaser hereby agrees to purchase subject to the terms and conditions hereinafter set forth the property described herein and in the manner hereinafter stipulated.

QTY.	NEW OR USED	DESCRIPTION	SERIAL No.	ANALYSIS OF SALE
				Cash Price - - - - - \$
				Sale Taxes - - - - - \$
				Freight and Handling - - - - - \$
				Total Cash Price - - - - - \$
				Cash D/P \$
				Trade \$
				Total Cash and Trade - - - - - \$
				Deferred Balance - - - - - \$
				Financing or Time Payment Charges - - - - - \$
				Insurance Charges - - - - - \$ x x x x
				Registration Fees - - - - - \$
				Other Charges (Describe) - - - - - \$
				Total Time Payment Balance - - - - - \$
				*Aggregate Time Price - - - - - \$

TRADE-IN

Said total deferred or time payments are payable at the office of the Vendor or his assignee as the case may be in _____ equal consecutive monthly instalments of \$ _____ on the same day of each month and commencing the _____ day of _____, 19____, except _____

and/or in instalments other than equal monthly payments as set out in the Schedule of Payments shown below. All deferred or time payments recited in this agreement will bear interest after due at the rate of 12% per annum until paid.

Schedule of Payments (other than equal monthly payments)

Due Date	Amount	Due Date	Amount	Due Date	Amount	Due Date	Amount
1 _____	_____	4 _____	_____	7 _____	_____	10 _____	_____
2 _____	_____	5 _____	_____	8 _____	_____	11 _____	_____
3 _____	_____	6 _____	_____	9 _____	_____	12 _____	_____

1. THE PURCHASER AGREES THAT THE FOLLOWING CONDITIONS OF SALE AND THOSE CONDITIONS AND WARRANTY ENDORSED ON THE REVERSE SIDE HEREOF ARE HEREBY INCORPORATED IN THIS CONTRACT.
2. The Purchaser hereby agrees that the title to the said property now purchased from the Vendor shall remain in the Vendor until the full purchase price and all indebtedness hereunder have been paid in full in cash, and shall be held and used at the Purchaser's risk and expense with respect to loss or damage and taxes and charges of every kind and in the event of the Purchaser's failure to pay any such taxes and charges the Vendor may pay the same and add the amount thereof to the amount due to the Vendor hereunder.
3. Where trade-in goods are indicated as forming a part of the purchase price, the Purchaser hereby guarantees such trade goods to be free of all encumbrances. (TERMS AND CONDITIONS continued on reverse side.)

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above mentioned.

(Witness to Purchaser's Signature)

(Purchaser's Signature)

P.O.

(Recite Sec., Twp., Range)

(Witness to Vendor's Signature)

(Vendor's Name)

By

(Authorized Signature)

*In Alberta only add total cash price, financing charges, reg. fees and other charges to determine aggregate time price.

MF 1330 (1-60)



FOR USE IN ALL CANADIAN PROVINCES

TERMS AND CONDITIONS (Continued from reverse side)

4. It is further agreed that if there is default in payment of any one of the said instalments as it becomes due and payable or in payment of taxes or charges on the said property or if the said property is misused or is used for any illegal purpose or is levied upon, or if the Purchaser attempts or purports to sell or remove or take steps to remove the said property from the County or Registration District in which the Purchaser resides or resided at the time of the purchase of the said property (or from the Registration District where the said property is delivered, if the same is delivered elsewhere than in the Registration District in which the Purchaser resides or resided at the time of the said purchase), or if at any time the vendor shall deem the purchaser to be insufficiently secured, or if the purchaser or his property be involved in any proceedings in bankruptcy, receivership or insolvency, then and in any of such events the entire balance of the purchased price shall, at the option of the vendor, become immediately due and payable, and the vendor in addition to all other remedies available to the vendor at law or hereunder, may take possession of the said property wherever found, and sell the same at either public or private sale (with or without notice) at such price and on such terms as the vendor in the vendor's discretion considers reasonable, with leave to the vendor to bid at any such public sale, pay all expenses incurred thereby, including repairs and replacements, taxes and expenses of repossession and of sale, and apply the net proceeds on the purchase price, and in consideration of the use of the said property and for diminution in saleable value thereof and as liquidated damages, and not as a penalty, the vendor may at all times retain all payments made on account of the purchase price.
5. Any such sale or right of sale shall not affect the vendor's right to sue or the purchaser's liability for any balance of the account remaining unpaid and including repairs and replacements nor shall the vendor's right to retake possession of and sell the said property be merged in any judgment the vendor may recover for the purchase price or any security therefor, nor shall the entry of judgment for unpaid purchase price or the taking of additional security therefor constitute a waiver of the reservation of title herein contained until the purchase price and any note or notes given therefore are fully paid in cash.
6. The Purchaser hereby agrees to waive all claims for damages which may arise out of the repossession, removal, storage, repairing, reconditioning or resale of the said property.
7. The Purchaser hereby agrees to the assignment of this contract and the Purchaser agrees that the sale, discount, pledge, hypothecation, or assignment of this agreement or any interest therein, shall not in any manner release the purchaser from his obligations hereunder, and the holder of this contract shall be entitled to all the rights of the vendor named above and the Purchaser hereby waives notice of assignment of this agreement.
8. Where this contract is executed by more than one person, covenants shall be construed and are hereby declared to be joint and several.
9. The word "property" wherever used in this contract shall include any equipment, attachments, accessories and repairs placed on the property by the purchaser.
10. Vendor shall not be liable to purchaser for failure to fill orders when such failure is due to an act of God, fire or other elements, strikes, riots, inability to obtain materials or transportation, the demand being greater than the available supply or for any other cause beyond reasonable control.
11. The covenants herein contained shall enure to the benefit of and shall bind the heirs, executors, administrators, successors and assigns of the parties hereto and any provision hereof invalid in any province shall be inoperative as to such province but without invalidating the remaining provisions hereof.
12. The Purchaser hereby acknowledges receipt of a copy of this contract and agrees that the whole agreement to be constituted on the acceptance thereof, is set forth herein; that there are no representations, warranties or conditions expressed or implied other than those herein contained, save and except the statutory warranty and guaranty in force and effect at the date of execution hereof as stipulated in "The Farm Machinery Act" R.S.A. 1942 ch. 222 as amended, "The Farm Implement Act" R.S.M. 1954 ch. 83 as amended and "The Agricultural Machinery Act 1958" R.S.S. 1958 ch. 91 as amended.

WARRANTY AND AGREEMENT

All new Products are sold upon the following warranty and agreement, which is in lieu of and excludes all other warranties and conditions expressed or implied and the Vendor neither assumes nor authorizes any person to assume for it any other liability in connection with the sale of such Products. All new unused Products are warranted to be free from defects in material or workmanship which may cause failure under normal usage and service when used for the purposes intended. In the event of failure of a part or parts and upon inspection, the Vendor is satisfied that failure is due to defective material or workmanship within six (6) calendar months from the date of delivery to the purchaser when used for farm or agricultural purposes, or within three (3) calendar months from such date when used for industrial construction or other non-agricultural purposes, such defective part or parts will be replaced by the Vendor without charge if such defective part or parts be returned to the Vendor, transportation prepaid. If the Product was not put in use until more than thirty (30) days after delivery date because of the seasonal use nature of the Product, the Warranty period shall run from the commencement date of the season of use as determined by the Vendor at its sole discretion.

It is expressly agreed that the foregoing Warranty and Agreement applies only to new, unused, products, there being no Warranty of any nature in respect of used products or such products that have been repaired, altered, neglected or used in any way which, in the Vendor's opinion, adversely affects its performance.

VENDOR'S ASSIGNMENT

The Vendor hereby assigns and transfers to Massey-Ferguson Limited, its successors or assigns all the Vendor's right, title and interest in the contract on the reverse side hereof, and all money due or owing or hereafter to become due or owing thereunder, together with all rights of the Vendor in the goods described on the reverse side hereof including all rights of seizure, removal and sale, subject to ☐ Full Recourse, ☐ Repurchase Agreement, ☐ Service Fee Plan, ☐ Dealer Reserve Account.

Witness the hand of the undersigned this _____ day of _____ A.D. 19____

Vendor

(Signature of Witness)

By _____

(Authorized Signature)

GUARANTEE AND INDEMNITY

For value received and in consideration of the acceptance of the note and the Agreement on the reverse side hereof as a credit on the indebtedness of the Vendor to Massey-Ferguson Limited, the Vendor hereby guarantees payment to Massey-Ferguson Limited, its successors or assigns of the Agreement on the reverse side hereof and all instalments, renewals and extensions thereof (whether made with or without the consent of the Vendor) and the Vendor further agrees to indemnify and save harmless Massey-Ferguson Limited, of and from all loss in connection with the transaction involved in the sale of the goods described on the reverse side hereof to the said purchaser, and the assignment of the said agreement by the Vendor to Massey-Ferguson Limited.

Witness the hand of the undersigned this _____ day of _____ A.D. 19____

Vendor

(Signature of Witness)

By _____

(Authorized Signature)

Province of Alberta

AFFIDAVIT (Alberta only)

I, _____ of _____, Province of Alberta make oath and say as follows:

1. That the Conditional Sales Agreement herein truly sets forth the agreement entered into between the purchaser and the vendor named therein.
2. That the said Agreement was entered into bona fide and not for the purpose of protecting the goods mentioned therein against the creditors of the purchaser or bailee.

SWORN before me at _____

Province of Alberta, this _____ day of _____ 19____

(Vendor's usual signature)

A Commissioner, etc.

APPENDIX "C"

C. Repurchase of Parts by the Company

1. Once each year, as soon after October 31st as possible, the Company will repurchase stocks of slow moving or inactive parts, subject to the following conditions:

- (a) The volume of parts which the Company will repurchase is limited to six per cent (6%) by value of the net parts purchases for the year ended October 31st. However, all such parts must appear in the Company's published Parts Price List in effect on October 31.
- (b) Parts ordered on Base Stock Order will not be eligible for repurchase by the Company until after one year from the date of delivery.
- (c) The price to be paid by the Company will be Dealer Billing Price in the Company's Parts Price List in effect on October 31, reduced by fifty per cent (50%) to offset the effects of applicable Stock Order Discounts, Cash Discounts, Volume Bonuses, Price Advances, etc., and to cover handling costs by the Company.
- (d) Such parts repurchased by the Company will be shipped to it with the return freight prepaid.
- (e) The net purchase price for such parts will be applied to then due indebtedness or paid in cash at the Company's option.

APPENDIX "D"

(I)

STATEMENT PREPARED BY THE DOMINION BUREAU OF STATISTICS
FOR THE
STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
CONCERNING THE FOLLOWING:

1. Price Index Numbers of Commodities and Services used by Farmers
2. Index of Farm Machinery Prices

PRICE INDEX NUMBERS OF COMMODITIES AND SERVICES
USED BY FARMERS

Methods and Sources of Data

The Price Index of Commodities and Services Used by Farmers is designed to measure the percentage change through time in the cost of purchasing a constant or equivalent "basket" of goods and services representing the commodities and services used by Canadian farm families for purposes of operating their farms and for living. It is a "price" index and expresses current prices as a percentage of prices in 1935-1939. The "basket" of goods and services included in the index was originally based on purchases reported in a national survey of Canadian farmers in 1938 but has been modified over the years by the introduction of items which have become important in farm production and farm living since that time.

The composite price index of commodities and services used by farmers is composed of four principal groups:

- 1—Equipment and Materials
- 2—Taxes and Interest Rates
- 3—Farm Wage Rates
- 4—Farm Family Living

For each group separate indexes are produced for Eastern and Western Canada and Eastern and Western indexes are combined into all-Canada indexes for each group. Group indexes are also combined into "composite" indexes for the two regions and for all-Canada.

The items included in the "basket" of goods and services are those items used in farm family living and farm operations which can be priced and identified as to quality and quantity over time. The item coverage is extensive including items ranging in size and importance from an axe to a combine in the production component, and from a bath towel to a sewing machine in the farm family living component. In all, there are over 450 items priced.

For each item in the index there is a weight which represents its relative importance in operating and family living costs in the base period 1938. The weight of an item is a measurement of the influence that the price change of that item has on the movements of the index. The weights in the index were originally based on the national survey of 1692 farm families in 1938 but some adjustments were made to weights in 1942 and again in 1948. Weights for items of building materials, motor supply, feed, seed and hardware were obtained in a small survey of farmers in 1942. In 1948, revisions were made to items and weights within the wage, fertilizer and farm implement groups, based on wage rate surveys and surveys of distributors and manufacturers.

The prices used in the index are *retail prices*, i.e., prices that farmers actually pay for goods and services that they use. The indexes are published three times a year, viz., January, April and August, and therefore most items are priced as at the first business day of those months. Exceptions to the thrice yearly price collection are groceries, meats and stock feeds which are priced monthly, and taxes and interest rates priced annually. Wage rates are provided by surveys of crop correspondents who report to the Agriculture Division of the D.B.S., the average wages of male help quoted on a "with board" and "without board" basis. Mortgage interest rates and taxes are obtained from the same source. Farm implement and machinery prices are reported by implement manufacturers who supply a large part of the farm market. Fertilizer, seed and binder twine prices are obtained from large firms or organizations supplying these items. Prices for a large number of clothing, household equipment and sundry items are obtained from mail order catalogues. All other items not specifically mentioned above are priced at selected retail outlets serving farm communities.

In calculation of the index, the quantity of each item in the index basket is multiplied by the current price of the item and the sum of these item costs is the aggregate cost of the basket in the current period. Similarly, the aggregate cost of the basket in the base price period (1935-39) is calculated using average prices of the items in the period 1935-39. The aggregate cost in the current period is then expressed as a percentage of the aggregate cost in the base price period. The resulting percentage figure is the index. Various groups of items in the index constitute sub-baskets for each of which indexes are calculated by the method described. The indexes of these sub-groups are termed sub-indexes.

Index of Farm Machinery Prices

The index of farm machinery prices is a sub-index within the Equipment and Materials group of the Index of Commodities and Services Used by Farmers.

The index contains a selection of machinery and equipment used on Canadian farms based primarily on a survey of 1692 farms in 1938 but updated in 1948 to make the weighting pattern conform more closely to post war conditions. The items are weighted to represent the relative importance of the various kinds and types of machinery and equipment used by farmers. Over the years new machines have been added and machines that are no longer used on farms have been dropped.

The prices used in the index are dealers' list prices, F.O.B. Hamilton and Regina, for specified machines and are supplied by major farm machinery manufacturers three times a year.

The index is a "price" index and expresses current prices as a percentage of prices in 1935-1939. It is a measure of the impact of price change on the cost of purchasing a fixed quantity and quality of machinery and equipment. It is not a "cost" index and does not measure changes in costs resulting from changes in the quantities or qualities of machinery bought by Canadian farmers.

April 12, 1961
Prices Division
Dominion Bureau of Statistics
Ottawa

APPENDIX "D"

(II)

STATEMENT PREPARED BY THE DOMINION BUREAU OF STATISTICS
FOR THE
STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
CONCERNING THE FOLLOWING:

1. Farm Operating Expenses
2. Index Numbers of Farm Prices of Agricultural Products
3. Estimates of the Value of Farm Machinery on Farms

Operating Expenses

These outlays represent the cost to the farmers as a group of earning income from farming operations and insofar as possible, exclude those amounts which farmers paid to other farmers. These estimates represent farm operating expenses at the time they were incurred regardless of whether they were paid for in cash or accumulated as new debt. In most cases, estimates of farm operating expenses were calculated estimates, i.e. they were not the direct product of regularly conducted official surveys of farm operating expenses. In compiling farm operating expenditures, all subsidy payments were taken into account; consequently, the estimates of expenditures represent only the net amounts paid by farmers. In the cases of property taxes, interest on mortgage indebtedness, repairs and depreciation on farm buildings only those estimated amounts paid on owner-operated farms were included under these headings. The share of these expenses chargeable to rented farms, were included in the gross rent estimates.

Property Taxes—As indicated above property tax estimates cover only taxes on owner-operated farms; taxes on tenant-operated property are included in gross rent estimates. Taxation estimates were Census of Agriculture data projected according to rural-municipal taxation figures supplied by the Bank and the Public Finance Section of the Dominion Bureau of Statistics.

Gross Farm Rent—This item includes the amount paid by tenant-operators, whether cash, kind or share, for the use of farm property including farm houses and purports to cover, on behalf of the landlord, property taxes, return on investment and repairs and depreciation on buildings, including the farm home. Census of Agriculture data provide benchmarks for each of the two general classifications of rental payments, i.e. (1) cash, and (2) share and kind. Cash payment benchmarks are projected according to changes taking place in the annual estimates of the value per acre of farm land, it being assumed that cash rental payments will vary proportionally with changes taking place in farm land values. Share and kind payments are projected on the basis of annual changes taking place in the value of field crop production.

Hired Labour—This item includes the amount of cash wages paid and the value of room and board provided hired farm labour. The Census of Agriculture provides benchmarks for both wages and the value of room and board. Annual estimates of total wages are obtained by projecting the census benchmarks by means of an annual ratio of change taking place in the estimated average total wages per farm. Wage data used in calculating the change ratio of average wages per farm are obtained from farmers through the annual December livestock survey. On the schedule used, farmers are asked to report

total wages paid to hired help during the year. The Census value of board and lodging supplied to hired farm help is projected by means of indices of farm labour force and farm family living costs. Changes in labour force are currently measured by dividing the total cash wage bill by an index of wage rates. Changes occurring in total wages paid after deflation are assumed to be the result of changes taking place in the hired agricultural labour force.

Interest on Farm Indebtedness—This comprises interest paid on farm mortgages, agreements for sale and other indebtedness incurred by farmers in the promotion of the farming enterprise. The basis for farm mortgage indebtedness estimates are data provided by the Census of Agriculture. Current estimates are made up of (1) information obtained from institutions concerning their holdings of farm mortgages and (2) estimates of mortgage holdings of individuals. Institutional holdings cover holdings of such organizations as life insurance companies, loan and mortgage companies, trust companies, Government agencies such as the Dominion Farm Loan Board and the Veterans Land Act, Railways, fraternal and mutual associations, fire and other insurance companies, and municipalities. Data concerning these holdings are obtained in some cases from Public Accounts and in others from annual reports of the institutions concerned. To the total amount of institutional holdings of farm mortgages and agreements for sale were added the estimated amount of mortgages and agreements for sale held by individuals. The estimates for individual holdings were based on Census of Agriculture data adjusted according to the yearly changes occurring in institutional holdings. These intercensal estimates were prepared for Canada as a whole and then broken down by provinces. This breakdown was effected by determining from the Census of Agriculture the relationship of provincial farm indebtedness to total farm indebtedness and applying these percentage relationships to the above all-Canada estimates.

In addition to the above indebtedness estimates, an allowance is made for other interest-bearing farm business debts, such as those incurred for the purchase of machinery, livestock and farm improvements. These estimates are based on data concerning transactions under the terms of the Farm Improvement Loans Act and from information concerning bank loans to farmers as reported by the Bank of Canada.

Interest rates, applied to total indebtedness estimates are obtained from farm correspondents by means of an annual mail-questionnaire survey.

Feed and Seed—This item of farm operating expense includes only feed and seed purchased through commercial channels. It excludes direct interfarm transfers of grains, but includes those grains which are shipped from the Prairie Provinces to eastern Canada and British Columbia and those grains sold to country elevators and later repurchased by western farmers for feed and for seed. The items considered were wheat, oats, barley, rye, manufactured livestock and poultry feeds, millfeeds, chopped grain feed, custom chopping or grinding, high-protein feeds fed direct to livestock, and seeds such as turnip seed, sugar beet seed and hybrid corn seed.

Basic information regarding the quantities of Prairie feed grains moved into the Maritime provinces, Quebec, Ontario and British Columbia for livestock feeding is obtained from reports setting forth feed grain shipments under the provisions of the Federal Freight Assistance policy. Not all grains moved under this scheme are purchased direct by farmers: large amounts are acquired by manufacturers of livestock feed. It is assumed that the total quantity of each of wheat, oats, barley and screenings used by the feeds industry is obtained under the provisions of the freight assistance policy except those quantities used by manufacturers located in each of the three Prairie Provinces. The quantities used by the Feeds industry are adjusted to remove the quantities used by that part of the industry located in Manitoba, Saskatchewan and

Alberta. The adjusted quantity is then deducted from total freight assistance shipments and the residual is assumed to be the amounts of these grains purchased direct by farmers. These direct purchases are valued by means of dealer feed prices collected by the Prices Division of the Bureau of Statistics.

The quantities of whole grains purchased by western farmers for feed and seed are obtained from the Statistics Branch of the Board of Grain Commissioners in Winnipeg. These quantities are valued at the domestic prices at the Lake head less cost of transportation between country points and the terminal elevators, and less terminal handling charges.

The value of manufactured livestock and poultry feeds is obtained from Bureau reports dealing with the Feeds industry. These value figures are adjusted to take care of concentrates produced and used within the industry for the production of secondary feeds. The adjusted data are assumed to represent the quantities purchased by farmers. The report of this industry also covers farmers' expenditures for those whole grains which are purchased by the Feeds industry and chopped or ground before sale to farmers.

Expenditures for custom chopping or grinding represent costs incurred by farmers at the time they have their own supplies of grain chopped or ground at mills providing this type of service. This information is also presented in the report on the Feeds industry.

Farmers' expenditures for millfeeds (bran, shorts and middlings) are based on information obtained from the Bureau report on the Flour Milling industry. This report presents the total amount of millfeeds produced. To this amount is added the quantities imported to obtain total supplies available for disposition. From these total supplies are deducted the quantities exported and the quantities consumed by industries producing breakfast foods and prepared livestock feeds. The amount remaining after these deductions is assumed to be the quantity purchased by farmers for direct feeding to livestock. This residual quantity, expressed in tons, is valued at the per unit value for production at the flour mills, plus 10 per cent for retail mark-up.

Estimated quantities of high-protein feeds fed directly to livestock by farmers are obtained by subtracting from total apparent domestic disappearance of these feeds the amounts used by the Prepared Stock and Poultry Feeds industry. The apparent domestic disappearance of high-protein feeds is prepared by the Crop Section of the Agriculture Division and is calculated by determining the production of the various high-protein feed items and making allowance for imports and exports. Most of the prices are obtained from farm magazines.

Farmers' outlay for sugar beet and turnip seed are calculated by determining first the amount required as indicated by the acreage grown and the seeding rate per acre for each of these two crops. The price per pound of turnip seed is obtained from seed houses and the price per pound of sugar beet is obtained from sugar beet companies. Farmers' outlay for hybrid corn seed is calculated by using corn crop acreages and information supplied by the Central Experimental Farm. The Farm provided some indication of the proportion of the acreages of fodder corn and shelled corn planted with hybrid corn seed. To these acreages is applied a seeding rate per acre to obtain total seed requirements. Approximate prices per bushel were also supplied by the Farm.

Tractor Operating Expenses—The first step in calculating tractor operating expenses is the computation of the number of tractors on farms each year. This is accomplished by using the numbers reported by the Census of Agriculture as a basing point and projecting them year by year by means of an allowance each year for the numbers purchased by farmers and the numbers discarded. Farm purchases are obtained from the Bureau's annual report

on Farm Implement and Equipment Sales. The discard rate is based on the discard experience of the previous intercensal period.

The next step is the determination of the average size tractor in use by area, the number of hours worked per year and the fuel consumption per hour. On the basis of information gleaned from United States and Canadian publications on the subject and discussions with the staff of the Engineering Division of the Central Experimental Farm, it was decided that for eastern Canada and British Columbia the most representative tractor was the 2-3 plow size. It was further assumed that throughout the year the average working load for these tractors was a medium load and that under these conditions the fuel consumption would be about 1.2 gallons per hour. The total number of hours of tractor use in these areas varied between 400 and 600 hours per year according to a sample survey of selected farm operating expenses carried out in 1952.

A 3-4 plow tractor was assumed to be the most representative size tractor in the Prairie Provinces. According to the Central Experimental Farm such a tractor under heavy load conditions would consume 1.8 gallons of fuel per hour. It was estimated that Prairie tractors would operate about 900 hours per year. It is assumed that all fuel used was gasoline, since there is little available information regarding the quantities of the other fuels used such as diesel fuel, distillate and kerosene.

Price per gallon for gasoline was obtained from the labour and Prices Division, D.B.S. Allowance was made for tax exemptions and refunds when used for farm purposes. Provincial tax per gallon was obtained from the Motor Vehicle report published by the Transportation Division, D.B.S.

Consumption of lubricating oil by tractors was related to the consumption of gasoline, the consumption ratio being 1 gallon of oil to approximately 40 gallons of gasoline. Oil price data was also obtained from the Labour and Prices Division, D.B.S. The cost of labour spent exclusively on repairs to tractors was expressed as a percentage of total outlay for gasoline and oil. This percentage, between 20 and 25 per cent, was based upon information obtained from the above-mentioned 1952 sample survey of selected farm operating expenses. No allowance is made for repair parts as they are included with expenses item, Machinery Repair Parts. Allowance for depreciation on tractors is included in the estimate of total depreciation on all farm machinery.

Combines—This item of expenditure covers only farmers' outlay for gasoline and oil required to operate these machines. No allowance is made for repair parts since they are included with the expense item, Machinery Repair Parts. Allowance for depreciation is included in the estimate of total depreciation on all farm machinery.

Farmers' outlay for this item is calculated by multiplying the estimated number of acres combined by average consumption of gasoline and oil per acre. Consumption of fuel and oil are based on information from farm management surveys. Prices of both gasoline and oil are the same as those used to calculate gas and oil expenses for tractors.

Trucks—The annual estimates of the number of trucks on farms for the intercensal years is based on the census count of farm trucks in the census years and the total annual provincial registration of all trucks as reported by the Transportation Section, D.B.S. The relationship between farm trucks and total truck registrations is determined for the census years and applied to the annual registration of all trucks during the intercensal periods.

Mileage operated per year and miles per gallon of gasoline were estimated on a per truck basis from information obtained from the 1952 sample survey of selected farm operating expenses. Annual mileage per truck varied between 4,000 and 5,000 miles and the mileage per gallon of gasoline was estimated at

about 13 miles per gallon. Oil consumption was at the rate of one gallon of oil per 30 gallons of gasoline. Both oil and gasoline prices (including tax) were obtained from the Prices Division of the Bureau. The outlay for grease was estimated at about 25 per cent of that for oil.

The calculation of farmers' annual outlay for truck tires and tubes involved the determination of an annual replacement factor, the average tire size used and the relevant prices. A replacement factor for farm truck tires and tubes was estimated after reviewing data from the 1952 sample survey of selected farm operating expenses and the results of a survey conducted by the United States Department of Agriculture and published in "Farm Expenditures for Operating Automobiles, Motor Trucks and Tractors." Data concerning average sizes were obtained from tire manufacturers and prices from the Bureau's Prices Division.

Repairs and insurance were expressed as a percentage of total outlay for gasoline, oil, grease, tires and tubes. This relationship was determined from information obtained from the 1952 Farm Expenditure Survey, the United States publication mentioned immediately above and from Canadian Farm Management surveys.

License fees were estimated from the 1952 Farm Expenditure Survey.

Automobiles—The calculation of operating expenses for farm automobiles was similar to that outlined above for trucks. However, in the case of automobiles only one-half of these expenses was assumed to have been incurred for farm business.

Blacksmithing and Machine Shop Charges—Data from a farm management survey conducted some years ago in Saskatchewan indicated the average charge for blacksmithing and machine shop services on various types of farm classified according to size. These charges were assumed to be the same for each farm size classification in each province. Using these charges and the number of farms in each size classification according to the 1941 Census of Agriculture, the total expense for this item for each province was obtained for 1940. The 1940 estimate is projected by means of an index of farm machinery repair part costs.

Binder and Baler Twine—Farmers' outlays for binder and baler twine are based on the estimate of the domestic disappearance of binder twine derived from the Bureau's annual report on the Cordage, Rope and Twine Industry. Wholesale prices for these twines are obtained from the Prices Division and marked up to retail selling levels.

Fertilizers—This estimate covers farmers' outlays for commercial fertilizers. The quantities of fertilizer material and mixed fertilizers sold annually in each province are obtained by an annual census of the fertilizer industry conducted by the Bureau of Statistics. Prices to farmers of the various fertilizer materials and mixes are obtained through correspondence with about 20 of the larger fertilizer companies.

Agriculture limestone—This represents farmers' outlay for agricultural limestone used for soil amendment purposes. Quantities purchased and net prices to farmers after allowance for government subsidies is obtained through correspondence with provincial departments of agriculture.

Pesticides—This estimate includes herbicides, insecticides and fungicides and is based on data contained in the Bureau report on the Sale of Pest Control Products by Canadian Registrants. These sales reported in terms of wholesale price are marked up to retail selling price levels.

Containers—Farmers, expenditures for containers are prepared by projecting Census benchmark according to annual estimates of the value of products produced by the Cooperage Industry and the Box, Basket and Crate Industry.

Nursery Stock—It was assumed that the farm purchase of nursery stock was equivalent to the annual value of nursery stock sales as obtained by the D.B.S. annual survey of nurserymen.

Fencing—Estimates for this farm expenditure are based on information contained in the Bureau publication. "The Wire and Wire Goods Industry" and on import and export statistics. The estimate of farm fencing expenditure is assumed to equal production plus imports minus exports of barbed wire, woven wire farm fence, woven wire poultry netting, steel fence posts and wire staples. The acceptance of these figures as the equivalent of farmers' outlay for fencing disregards any changes taking place in manufacturers' and dealers' inventories and purchases of items by non-farm users. The value of consumption of farm fencing materials obtained in this manner was increased by $33\frac{1}{2}$ per cent to make allowance for retail mark-up and to the resulting figure, an additional 10 per cent was added to allow for the purchase of wooden fence posts.

Machinery Repair Parts—Current data concerning the cost of farm machinery repair parts are obtained from the annual D.B.S. report, "Sales of Farm Implements and Equipment in Canada." Statistics contained in this report are obtained by means of a complete annual census of the farm machinery industry and cover, in addition to the value of implement and equipment sales, the sales value of machinery repair parts. Since these value of sales data are, for the most part, wholesale prices, they are increased by approximately 31 per cent to take care of retail mark-up. This approximate retail mark-up percentage was obtained from one of the leading Canadian farm implement journals.

Repairs to Farm Buildings—Estimates of farmers' expenditures for farm building repairs are supplied by the Economic Branch of the Department of Trade and Commerce. These estimates are based on census data concerning farm purchases of building materials for repairs to farm property. It is assumed that this represents 75 per cent of the costs of building repairs, the other 25 per cent being labour costs. The estimated value for the base year is projected for each province on the basis of the combined index of the retail sales of building materials and farm cash income. Arbitrary adjustments are made to these estimates in those years in which sharp upward or downward movements occur.

Irrigation charges—This item covers expenses incurred by farmers associated with large irrigation projects and is estimated only for the provinces of Alberta and British Columbia. It does not include any specific estimate of costs to farmers for the operation of private irrigation systems.

Data necessary for these estimates are obtained from the Alberta Department of Water Resources and the British Columbia Department of Lands and Forests.

Electric Power—The source of information for this estimate is the Bureau's annual report concerning Central Electric Stations. The report sets forth the annual average electric bill per farm. This figure is applied to the number of farmers serviced with electric power from central power stations and the resultant estimates adjusted to include any federal or provincial taxes payable thereon. The number of farms involved is obtained from the Census of Agriculture and projected according to the change in the number of customers included in the farm service sector and also set forth in the report on Central Electric Stations, since the farm service sector includes some customers who are not farmers this information can not be used directly as a measure of the number of farms using electricity. It is assumed that only one-half of

this total expense is chargeable to the farm business. No allowance is made for expenditures by farmers for the operation of their own electrical plants.

Artificial Insemination of Cattle—Information on fees charged per animal and the number of animals serviced is obtained from the Federal Department of Agriculture and the Livestock Commissioner for Ontario.

Breed Association Fees—This expenditure covers fees for memberships, registrations and transfers associated with the production of purebred livestock. This information is obtained from the annual reports concerning the Canadian National Livestock Records and the Holstein-Friesian Association.

Purchases of Feeder Cattle—This item includes only expenditures by Ontario farmers for western feeder cattle and calves. Data required for these statistics are obtained from the Marketing Service of the Department of Agriculture.

Miscellaneous Farm Expenses—This item is intended to cover such farm expenses as veterinary services, rope, salt, small tools, hardware and harness repairs. The total of the above operating expenses is increased by approximately 5 per cent to take care of these outlays.

Depreciation Charges

Depreciation is a charge against farming operations for the use of farm buildings, including the farm houses, and machinery acquired for the promotion of the farm business; this charge is made annually over the estimated useful life of the asset and is in proportion to the number of years it is expected to be in use. The item was intended to cover that part of depreciation and obsolescence which cannot be offset by repairs.

Buildings—This item covers only depreciation on farm buildings, including farm houses, on owner-operated farms: the charge for building depreciation on tenant-operated farms is included in the estimate of gross farm rent. The amount of depreciation was calculated on the basis of a 4 per cent rate charged against the estimated annual inventory value of farm buildings. The annual estimates of the value of farm buildings were Census of Agriculture data projected by means of official annual statistics of the value per acre of farm land, including buildings.

Machinery—The rates of machinery depreciation were those used in the Report of the Royal Commission on the Dominion-Provincial Relations, 1939. They were 7 per cent for eastern Canada and British Columbia and 11 per cent for the Prairie Provinces. Annual inventory values of farm machines to which these depreciation rates are applied, are calculated from Census of Agriculture data adjusted intercensally by annual allowances for depreciation and retail value of new sales.

Index Numbers of Farm Prices of Agricultural Products

The Index of Farm Prices of Agricultural Products was designed to measure monthly changes taking place in the prices farmers realize at the farm level from the sale of farm products. As will be shown later, the farm index is not a measure of pure price change but rather an indicator of price change occurring as a result of variation in the prices received and/or the quality of products sold.

Most of the price data used in the construction of the index are obtained by means of a monthly mail-questionnaire survey of about 6,000 farmers situated all across Canada: between 50 and 60 per cent of these farmers fill in and return these schedules as of the 15th of each month. Prices required for the index and not collected by means of this survey, are obtained from

provincial departments of agriculture or from the processors of the agricultural products concerned. A list of the commodities included in the index, the weights which have been assigned to them and their source are included in a table appended to this statement.

The farmers, in filling out the questionnaires associated with the above-mentioned survey, are requested to report the average prices prevailing in their neighbourhood, taking into account the various grades of each commodity marketed. If they are unable to report for their neighbourhood, they are asked to report prices received for their own produce. As indicated, the price required for each commodity is an average price which reflects all grades marketed. This points up the fact that changes occurring in average farm prices from month to month are not always pure price changes. It is conceivable that the prices for particular grades of farm produce may remain unchanged from one month to the next, yet the average prices reported by farmers may move up or down as the quality of products marketed moves up or down. Therefore, changes occurring in average farm prices as reported to the Bureau may reflect changes in price, changes in quality marketed, or a combination of both. These prices are prices which, when applied to total farm sales, will provide an estimate of total cash income from the sale of farm products.

With respect to the prices used in the index, the present system of marketing wheat and coarse grains in the Prairie Provinces of Canada creates some difficulties. Most of farmers' deliveries of these grains in this area must be made to the Canadian Wheat Board. At the time of delivery, the western producer is given an initial payment and a certificate covering quantities and grades delivered. These certificates entitle producers to share in any surpluses accumulated by the Board through sale of these grains. Since considerable time may elapse between receipt and sale of this grain by the Board and since total surplus accruing to a certain crop cannot be calculated until the crop has been sold by the Board, distribution of these surpluses in the form of participation payments does not take place for several months after delivery by the farmer. Consequently, the western grain prices first used in the construction of the current index are initial prices only. If and when participation payments on current deliveries are made at a later date, they are added to the current initial payments and the index revised upwards accordingly, as has been done in past years. Meanwhile the current index based on initial grain prices is not comparable with the index for earlier months which is based on initial prices plus participation payments. To solve this problem, in part at least, there is included in the monthly publication, *Index Numbers of Farm Prices of Agricultural Products*, a table setting forth the effect on the index of a ten-cent payment per bushel for each of the three grains, wheat, oats and barley. Thus, anyone who wishes to hazard a guess as to how much the final payments are likely to be, may adjust the index so that it will be approximately comparable with the earlier years.

The base period currently used in the construction of the farm price index is the five-year period 1935-1939. This base was chosen to agree with the bases which were then being used for all other Bureau indexes and thus promote direct comparability between indexes. Prior to the selection of 1935-1939, the year 1926 served as the official base for Bureau indexes and it was considered to be fairly satisfactory. An attempt is made to provide for periodic rebasing of Bureau indexes and at the present time plans are being made to place the farm price index on a more up-to-date base. In the meantime this index is constructed in such a way that it may be shifted at will by users to any reference base desired without seriously affecting the validity of comparisons resulting from this mechanical adjustment.

Commodities included in index numbers of farm prices of agricultural products, associated weights, and source of price information.

<i>Commodity</i>	<i>Weight</i>	<i>Source of Price Information</i>
Wheat	30.8	Monthly farm price survey
Oats	2.4	" " " "
Barley	2.1	" " " "
Flax .....	.2	" " " "
Corn .....	.4	" " " "
Cattle	10.8	Monthly farm price survey
Calves	2.5	" " " "
Hogs	12.3	" " " "
Lambs	1.0	" " " "
Sheep .....	.1	" " " "
Butterfat	8.3	Processing firms
Fluid Milk	7.2	" "
Dairy butter	1.1	Monthly farm price survey
Cheese milk	1.9	Processing firms
Hens & Chickens	3.0	Monthly farm price survey
Eggs	5.0	" " " "
Potatoes	3.7	Monthly farm price survey
Fruits	3.0	Provincial governments
Vegetables	1.5	Provincial governments and processors
Sugar beets .....	.2	Sugar beet processors
Maple products .....	.3	Purchasers of Maple Products
Flue-cured tobacco	2.1	Marketing board
Fur farming .....	.1	Bureau Survey of Fur Farmers
	100.0	

Estimates of the Value of Farm Machinery

Estimates of the value of machinery on farms are based on values reported by farmers each time a Census of Agriculture is taken. For the year immediately succeeding a census year, the estimate is prepared by applying the over-all farm machinery depreciation rate (7 per cent in eastern Canada and British Columbia and 11 per cent in the Prairie Provinces) to the total value of farm machinery as reported by census and adding the current sales of new farm machinery. Estimates for each succeeding year are derived by applying the above depreciation rates to the estimated total value of farm machinery for the previous year and adding the current sales of new farm machinery.

Estimates are prepared at the aggregate level only. No attempt is made to prepare them by type of machine. The depreciation rates were those prepared for the Report of the Royal Commission on Dominion-Provincial Relations, 1939. Estimates of the annual value of sales of farm machinery are obtained by means of the Bureau's annual survey of the farm machinery industry; these data are set forth in the Bureau report, *Farm Implement and Equipment Sales*. Since the value of these sales is reported at wholesale levels, a mark-up of approximately 22 per cent is applied to it to bring it to the retail level.

These estimates are prepared year by year until the total value of farm machinery becomes available for the succeeding Census year. If necessary, the annual intercensal estimates are adjusted to bring them into line with the new census benchmark.

April 14, 1961

Agriculture Division,
Dominion Bureau of Statistics,
Ottawa.

APPENDIX D

III

STATEMENT PREPARED BY THE DOMINION BUREAU OF STATISTICS
FOR THE
STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
CONCERNING THE FOLLOWING:

Farm Implement and Equipment Sales

Statistics on farm machinery in Canada are available in several forms. First, there has been some detail as to machines on farms since 1870 from Censuses of Agriculture. Since 1917, there has been an annual survey of manufacturing in this industry. These series have and will be continued. Neither, however, meet some of the major requirements of the firms in the industry. Their interest, in addition to how many machines are on farms and how many are produced each year in Canada, lies in the current market—i.e., how many were sold this year compared to last and what per cent of that market did they get. Since the market absorbs a considerable amount of imported lines and since neither Canadian production nor imports as recorded in import statistics reveal actual sales, it was very important to the industry that a "sales" series be compiled. This resulted in a new survey of sales, first undertaken on an annual basis for the year 1936. Since this was a "sales" series, although manufacturers as well as importers were surveyed, it was placed with the Merchandising Section.

The Annual Survey

The most difficult problem with this survey lies in maintaining a complete list to ensure adequate coverage. Attempts are made to keep the coverage as complete as possible without doing an actual commodity survey which would cover many industries not classified to farm implements. Initially, all Canadian manufacturers classified to the industry and all importers of farm implements and equipment were surveyed. The manufacturing part of the list is maintained by reference to the Census of Industry. For many years, the importers' list was checked by tallying import customs slips one month in the year; this was done by the staff of the External Trade Section. Since 1952, however, this service has been suspended and trade magazine directories and advertisements in monthly issues are used as a source of new firms. In January 1959, a letter was sent to 85 American manufacturers of major lines, asking for a list of their Canadian distributors. This source, with a continual search of trade magazines, should "catch" all importers of any real importance. Most of the very large U.S.A. manufacturers have Canadian companies from whom consolidated reports can be obtained.

In this survey, we are attempting to cover only those firms whose business is that of selling implements in Canada. A survey of all dealers, to measure actual sales at the customer level, can only be done at the time of the decennial census. By surveying manufacturers and importers, quite reliable statistics are compiled with the minimum effort of contacting less than 200 firms. Given good coverage at these two levels, the main problem is to avoid duplication. This occurs in two ways as follows:

1. A few Canadian manufacturers make machines and report them as instructed. Half of their production, however, can be for one of the main-line firms on a contract basis. These machines have always been reported by the main-line company since they were made to their specifications and painted their colour and trade mark and

were sold along with all of their own machines. These goods, until 1958, were duplicated. The main-line companies are now asked to inform D.B.S. of these contract-manufacturers. Since better information on a provincial breakdown and on sales to user is available from the large company, we now ask the smaller manufacturer to exclude sales made to the main-line company under these circumstances. Instructions have always been to report only sales of own manufacturer or direct import, not to include goods made by another Canadian manufacturer; these few cases are exceptions to this general rule.

2. Importers are often distributors of Canadian goods as well as being sole distributors for foreign lines. Up to 1952, many importers reported total sales regardless of instructions. In that year, a form was sent to all importers asking for the names and addresses of suppliers and machines of each. This resulted in elimination of \$12 million duplication. A distributor would handle Massey-Ferguson products as well as importing U.S.A. dairy equipment. His Massey-Ferguson sales reported by him were also reported by Massey-Ferguson. Such a form is sent to import-distributors periodically to ensure the exclusion of Canadian-made goods from their reports.

The Survey on Farm Implement and Equipment Sales, then, is one of Canadian manufacturers and importers. These firms are asked to report sales to user (in unit count) to which is applied a "wholesale" price. The large manufacturers receive statements of unit sales to farmers from their retail dealers and prefer to apply a dealer's cost price to them rather than let the dealer apply a value that may or may not include a trade-in allowance, an unauthorized discount, etc.

April 17, 1961

Industry and Merchandising Division,
Dominion Bureau of Statistics, Ottawa.

APPENDIX D

IV

STATEMENT PREPARED BY THE DOMINION BUREAU OF STATISTICS
FOR THE
STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
CONCERNING THE FOLLOWING:

Distribution of Specified Acreage in Occupied Farms for Canada and
the Provinces from 1946 to 1960

STANDING COMMITTEE

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS
CANADA, 1946-1960

	Improved Land									
	Winter wheat	Spring wheat	Oats for grain	Barley	Fall rye	Spring rye	Flaxseed	Mixed grains	Corn for grain	Buck-wheat
	— thousand acres —									
1946.....	485.0	23,890.7	11,781.5	6,185.7	490.8	219.9	885.9	1,163.9	259.7	175.5
1947.....	617.0	23,505.2	10,733.4	7,391.4	870.5	331.0	1,791.0	981.3	181.5	232.8
1948.....	725.0	22,980.3	10,854.5	6,400.5	1,757.6	594.6	1,958.3	1,326.7	257.9	145.5
1949.....	668.0	26,719.0	10,987.9	5,923.1	877.4	328.1	312.0	1,449.2	278.0	126.2
1950.....	748.0	26,563.2	11,184.2	6,510.1	793.2	344.4	584.0	1,421.3	311.0	115.5
1951.....	703.0	24,551.4	11,896.6	7,839.8	711.6	415.0	1,158.5	1,524.3	314.0	123.4
1952.....	650.0	25,514.1	11,057.4	8,477.5	752.9	483.4	1,109.5	1,571.8	363.7	126.5
1953.....	732.0	25,651.6	9,873.0	8,907.6	1,004.3	501.0	956.4	1,550.4	400.0	151.0
1954.....	710.0	24,829.0	10,052.5	7,842.4	603.0	183.7	1,178.0	1,669.8	459.9	133.9
1955.....	582.0	22,077.5	10,957.8	9,886.8	521.8	224.1	1,836.0	1,701.2	571.3	131.0
1956.....	625.0	22,156.1	11,706.8	8,390.4	368.4	178.9	3,040.8	1,560.5	509.1	168.1
1957.....	590.0	20,526.8	11,017.0	9,403.2	439.5	111.1	3,485.6	1,452.2	514.5	107.4
1958.....	580.0	20,319.1	11,039.2	9,548.0	409.9	111.5	2,622.7	1,421.8	498.5	102.4
1959.....	425.0	22,639.9	11,391.3	8,288.6	405.7	110.9	2,150.7	1,500.5	488.9	83.3
1960.....	525.0	22,673.2	11,146.7	7,359.7	442.1	101.0	2,817.2	1,380.6	514.0	85.0

	Improved Land										
	Peas dry	Beans dry	Soy-bean	Po-tatoes	Mustard seed	Rape-seed	Sun-flower seed	Tame hay	Fodder corn	Field roots	Sugar beets
	— thousand acres —										
1946	107.3	79.0	59.2	445.7	—	23.5	23.0	10,499.5	388.4	80.5	66.6
1947	110.2	85.9	61.0	408.2	—	58.3	23.0	10,670.8	378.7	70.7	58.4
1948	65.5	80.2	94.0	400.8	—	80.0	29.0	10,405.2	418.7	64.5	60.1
1949	45.3	82.2	104.0	389.4	—	20.0	60.0	10,346.1	430.9	58.4	84.2
1950	38.8	65.9	142.0	369.6	—	0.4	26.0	10,227.8	462.7	54.9	101.5
1951	37.3	58.3	155.0	284.9	40.8	6.5	21.5	10,538.0	385.6	45.7	92.9
1952	46.1	59.6	172.0	295.8	46.1	18.5	3.0	10,629.0	367.3	44.4	92.6
1953	64.9	66.2	231.0	323.6	42.7	29.5	6.5	10,564.0	359.4	43.2	81.9
1954	60.9	71.3	245.0	304.3	69.0	40.0	21.0	10,737.0	353.9	43.1	90.5
1955	73.3	76.4	227.0	313.3	78.5	136.2	20.0	10,842.0	365.4	42.9	81.9
1956	87.9	65.6	243.2	312.5	137.6	351.9	33.0	10,922.0	394.2	39.7	78.8
1957	84.9	62.5	256.0	312.1	92.2	617.5	30.0	11,452.0	370.7	32.9	83.7
1958	71.5	67.0	263.0	311.0	87.5	626.0	48.7	11,477.0	380.8	34.8	97.8
1959	63.9	68.0	251.0	294.1	80.1	213.5	42.0	11,779.0	369.0	29.9	90.5
1960	54.0	67.2	256.5	314.1	156.0	756.0	25.5	12,176.0	370.2	27.4	86.1

Improved Land					Unimproved Land				Grand total
Improved pasture	Sub-total	Other fodder crops	Other improved land	Total	Woodland	Unimproved land	Sub-total		
—thousand acres—									
1946	N.A.	(77,709.3) ¹							
1947	N.A.	(78,304.3) ¹							
1948	N.A.	(79,402.9) ¹							
1949	N.A.	(81,052.4) ¹							
1950	N.A.	(81,670.5) ¹							
1951	10,005.0	92,478.1	1,055.0	2,603.0	96,136.1	22,780.0	54,414.0	77,194.0	173,330.1
1952	10,067.0	93,479.1							
1953	10,206.0	94,769.9							
1954	10,083.0	95,480.1							
1955	10,046.0	95,379.2							
1956	10,058.0	95,541.5	1,013.0	2,705.0	99,259.5	19,541.0	54,057.0	73,597.0	172,856.5
1957	10,281.0	96,045.8							
1958	10,487.0	95,909.0							
1959	10,691.0	95,981.8							
1960	10,716.0	95,987.5							

¹ Excluding Improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces. Other years, crops section, Agriculture Division.

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

PRINCE EDWARD ISLAND, 1946-1960

Improved Land								
Spring wheat	Oats for grain	Barley	Mixed grains	Potatoes	Tame hay	Field roots	Improved pasture	Sub-total
— thousand acres —								
1946	2.0	111.0	5.2	40.4	48.8	221.0	7.9	N.A. (436.3) ¹
1947	2.2	111.0	5.4	50.9	41.9	221.0	8.1	N.A. (440.5) ¹
1948	2.8	108.0	4.7	49.9	46.3	219.0	9.0	N.A. (439.7) ¹
1949	3.3	104.0	4.8	54.9	47.2	214.0	8.2	N.A. (436.4) ¹
1950	3.7	104.0	5.4	63.0	41.9	220.0	7.7	N.A. (445.7) ¹
1951	4.7	100.0	4.1	71.7	29.6	204.0	7.6	198.0 619.7
1952	3.7	92.0	4.0	71.0	36.0	199.0	7.1	206.0 618.8
1953	3.1	102.0	4.0	68.1	41.0	191.0	6.7	206.0 621.9
1954	3.5	94.0	2.6	69.5	40.5	204.0	6.8	204.0 624.9
1955	3.8	91.0	2.0	68.8	43.0	205.0	6.8	202.0 622.4
1956	3.1	98.0	0.9	57.4	42.5	205.0	6.8	201.0 614.7
1957	2.9	93.0	1.0	52.0	46.3	210.0	6.0	201.0 612.2
1958	3.3	97.0	0.8	50.0	46.4	212.0	5.8	194.0 609.3
1959	3.5	100.0	0.8	50.0	42.0	206.0	5.3	190.0 597.6
1960	3.0	105.0	0.7	47.0	45.0	204.0	4.5	187.0 596.2

Improved Land			Unimproved land			
Other fodder crops	Other improved land	Total	Woodland	Other unimproved land	Sub-total	Grand total
— thousand acres —						
1946						
1947						
1948						
1949						
1950						
1951	1.7	19.8	641.2	346.0	103.0	450.0 1,091.2
1952						
1953						
1954						
1955						
1956	2.5	22.7	639.9	334.0	85.7	420.0 1,059.9
1957						
1958						
1959						
1960						

¹ Excluding Improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces. Other years, crops section, Agriculture Division.

STANDING COMMITTEE

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

NOVA SCOTIA, 1946-1960

Improved Land								
Spring wheat	Oats for grain	Barley	Mixed grains	Potatoes	Tame hay	Field roots	Improved pasture	Sub- total
—thousand acres—								
1946	1.2	63.7	6.1	3.3	17.9	417.0	6.6	(515.8) ¹
1947	1.2	65.8	5.4	3.9	15.6	409.0	5.5	(506.4) ¹
1948	1.3	62.3	5.0	4.8	14.7	389.0	5.4	(482.5) ¹
1949	1.3	62.3	4.9	5.2	13.8	365.0	4.6	(457.1) ¹
1950	1.0	60.2	4.6	6.4	13.4	357.0	4.6	(447.2) ¹
1951	1.2	61.6	4.4	8.8	11.3	345.0	4.3	155.0
1952	0.9	55.4	3.7	10.3	12.0	342.0	4.3	161.0
1953	1.0	53.0	3.0	10.3	12.4	324.0	4.6	166.0
1954	1.0	51.1	2.2	11.5	10.8	321.0	4.3	163.0
1955	1.0	46.8	2.0	11.8	11.8	314.0	4.2	161.0
1956	0.8	43.3	1.5	9.7	10.2	314.0	3.7	161.0
1957	0.6	40.3	1.3	9.9	10.2	314.0	3.1	165.0
1958	0.7	42.0	1.5	10.4	10.3	311.0	3.1	157.0
1959	0.6	39.0	1.3	11.4	9.5	308.0	2.7	159.0
1960	0.5	36.0	0.9	10.9	9.4	305.0	2.5	157.0

	Improved Land		Unimproved Land			Grand total
	Other fodder crops	Other improved land	Total	Woodland	Other unimproved land		Sub-total
—thousand acres—						
1946						
1947						
1948						
1949						
1950						
1951	10.9	26.9	629.4	1,846.0	666.0	2,512.0
1952						3,141.4
1953						
1954						
1955						
1956	7.7	49.6	601.5	1,566.0	580.0	2,146.0
1957						2,747.5
1958						
1959						
1960						

¹ Excluding Improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces. Other years, crops section, Agriculture Division.

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

NEW BRUNSWICK, 1946-1960

Improved Land									
Spring wheat	Oats for grain	Barley	Mixed grains	Buck- wheat	Potatoes	Tame hay	Field roots	Improved pasture	Sub- total
— thousand acres —									
1946	1.5	176.0	9.9	2.5	10.6	64.8	556.0	7.5	N.A. (828.8) ¹
1947	1.9	178.0	10.6	2.6	10.9	61.7	534.0	6.6	N.A. (806.3) ¹
1948	2.5	172.0	9.6	2.5	10.4	60.4	511.0	5.8	N.A. (774.2) ¹
1949	2.9	170.0	11.2	3.1	10.0	55.1	489.0	4.9	N.A. (746.2) ¹
1950	2.9	166.0	12.0	4.7	10.4	52.9	466.0	4.8	N.A. (719.7) ¹
1951	3.4	175.0	13.6	6.7	7.9	38.1	441.0	4.1	244.0 933.8
1952	2.8	155.0	10.3	6.7	7.5	42.7	437.0	4.5	256.0 922.5
1953	2.7	150.0	8.9	6.4	6.0	48.4	425.0	3.6	256.0 907.0
1954	3.2	152.0	9.1	7.0	6.3	45.6	412.0	3.5	256.0 894.7
1955	2.2	135.0	6.7	6.4	6.0	47.0	412.0	3.2	251.0 869.5
1956	2.1	130.0	4.0	5.4	5.8	46.2	399.0	2.9	253.0 848.4
1957	2.5	121.0	4.1	6.3	4.5	46.3	392.0	2.6	259.0 838.3
1958	2.4	122.0	4.3	5.2	4.4	46.0	378.0	2.5	253.0 817.8
1959	2.3	125.0	3.6	6.0	4.5	44.6	374.0	2.3	251.0 813.3
1960	2.1	118.0	2.8	5.1	4.4	50.0	365.0	2.2	252.0 801.6

	Improved Land			Unimproved Land			Grand total
	Other fodder crops	Other improved land	Total	Woodland	Other unimproved land	Sub-total	
	—thousand acres—						
1946							
1947							
1948							
1949							
1950							
1951	10.8	43.9	988.5	2,044.0	420.0	2,464.0	3,452.5
1952							
1953							
1954							
1955							
1956	11.9	67.8	928.1	1,704.0	326.0	2,030.0	2,958.1
1957							
1958							
1959							
1960							

¹ Excluding Improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie provinces.
Other years, crops section, Agriculture Division.

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

QUEBEC, 1946-1960

Improved Land										
Spring wheat	Oats for grain	Barley	Fall rye	Mixed grains	Buck-wheat	Peas, dry	Beans, dry	Potatoes	Tame hay	Fodder corn
—thousand acres—										
1946	11.6	1,364.0	88.5	2.8	178.0	54.4	7.6	2.2	120.0	4,056.5
1947	10.9	1,301.0	103.0	3.0	186.0	64.6	6.4	1.8	114.0	3,943.8
1948	11.6	1,285.0	73.2	4.6	195.0	51.7	5.4	1.9	115.0	3,906.2
1949	11.8	1,396.0	60.2	4.8	195.0	50.3	4.6	1.3	115.0	3,831.1
1950	14.1	1,427.0	66.1	4.6	212.0	47.6	3.9	1.0	112.0	3,605.8
1951	12.2	1,396.0	61.6	5.0	212.0	43.7	3.3	0.9	92.0	3,654.0
1952	12.2	1,363.0	60.8	5.0	220.0	43.0	3.4	1.0	91.7	3,654.0
1953	12.9	1,380.0	56.5	5.5	210.0	45.0	3.3	1.2	100.0	3,580.0
1954	13.8	1,366.0	53.1	7.0	230.0	49.0	3.7	1.3	95.0	3,544.0
1955	14.0	1,284.0	39.3	8.2	223.0	49.0	4.0	1.4	99.0	3,544.0
1956	15.1	1,258.0	31.6	8.2	194.0	47.4	3.2	1.5	99.3	3,487.0
1957	15.1	1,258.0	25.3	8.3	190.0	37.9	4.0	1.5	97.9	3,497.0
1958	12.7	1,307.0	23.0	9.5	181.0	36.0	3.2	1.5	90.6	3,464.0
1959	12.3	1,303.0	20.7	7.5	168.0	28.8	3.6	1.3	82.5	3,508.0
1960	10.1	1,335.0	18.8	9.1	145.0	25.6	2.9	1.2	80.8	3,547.0

Improved land							Unimproved land			
Field roots	Sugar beets	Improved pasture	Sub-total	Other fodder crops	Other improved land	Total	Wood-land	Other improved land	Sub-total	Grand total
— thousand acres —										
1946	13.8	2.2	N.A.	(5,968.2) ¹						
1947	14.1	1.6	N.A.	(5,814.4) ¹						
1948	11.9	2.9	N.A.	(5,735.8) ¹						
1949	12.2	6.2	N.A.	(5,766.5) ¹						
1950	13.8	11.9	N.A.	(5,613.4) ¹						
1951	11.5	9.7	2,685.0	8,267.2	164.0	306.0	8,737.2	2,083.0	7,957.0	16,694.2
1952	10.3	7.9	2,685.0	8,228.0						
1953	10.8	7.0	2,685.0	8,169.8						
1954	10.3	6.5	2,685.0	8,143.8						
1955	10.5	6.0	2,685.0	8,039.4						
1956	10.1	5.7	2,643.0	7,883.0	196.0	370.0	8,449.0	4,878.0	2,402.0	15,729.0
1957	8.2	5.9	2,662.0	7,879.4						
1958	8.4	5.9	2,637.0	7,847.4						
1959	6.9	4.5	2,582.0	7,784.3						
1960	5.4	5.4	2,482.0	7,723.5						

¹ Excluding improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces. Other years, crops section, Agriculture Division.

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

ONTARIO, 1946-1960

Improved Land												
Winter wheat	Spring wheat	Oats for grain	Barley	Fall rye	Flax-seed	Mixed grains	Corn for grain	Buck-wheat	Peas, dry	Beans, dry	Soy-beans	Potatoes
— thousand acres —												
1946	485.0	35.4	1,503.0	271.0	63.7	19.0	890.0	248.0	106.0	30.4	76.8	59.2
1947	617.0	29.0	1,162.0	210.0	73.2	61.5	694.0	171.0	155.0	37.0	84.1	61.0
1948	725.0	49.0	1,623.0	203.0	121.0	72.5	994.0	248.0	81.2	23.8	78.3	94.0
1949	668.0	55.7	1,804.0	199.0	104.0	19.6	1,098.0	256.0	63.8	19.7	80.9	104.0
1950	748.0	52.5	1,804.0	192.0	89.7	39.2	1,017.0	281.0	51.0	13.2	64.9	142.0
1951	703.0	43.9	1,749.0	194.0	72.4	65.8	1,081.0	289.0	64.4	7.9	57.4	155.0
1952	650.0	36.7	1,732.0	203.0	74.7	75.1	1,129.0	344.0	63.0	11.6	58.6	172.0
1953	732.0	33.5	1,600.0	171.0	75.0	41.0	1,116.0	385.0	77.0	12.8	65.0	231.0
1954	710.0	30.5	1,590.0	135.0	90.0	19.0	1,172.0	450.0	54.6	12.5	70.0	245.0
1955	582.0	26.5	1,530.0	125.0	71.0	17.0	1,160.0	565.0	41.0	9.4	75.0	227.0
1956	625.0	17.1	1,427.0	105.0	85.6	17.2	984.0	502.0	53.1	7.6	64.1	240.0
1957	590.0	15.0	1,610.0	97.0	85.0	12.0	840.0	503.0	30.0	7.3	61.0	252.0
1958	580.0	15.0	1,799.0	91.0	92.0	11.0	760.0	487.0	27.0	6.7	65.5	256.0
1959	425.0	17.3	1,853.0	100.0	73.0	9.0	767.0	480.0	25.0	7.0	66.7	248.0
1960	525.0	17.0	1,557.0	87.0	83.0	9.2	670.0	504.0	30.0	6.5	66.0	256.0

Improved land						Unimproved land						
Tame hay	Fodder corn	Field roots	Sugar beets	Im-proved pasture	Sub-total	Other fodder crops	Other im-proved land	Total	Wood land	Other unim-proved land	Sub-total	Grand total
—thousand acres—												
1946	3,305.0	295.0	43.5	23.3	N.A.	(7,552.7) ¹						
1947	3,490.0	292.0	35.3	18.6	N.A.	(7,280.5) ¹						
1948	3,305.0	324.0	31.5	18.5	N.A.	(8,079.1) ¹						
1949	3,267.0	327.0	27.7	30.0	N.A.	(8,209.3) ¹						
1950	3,200.0	342.0	23.3	33.3	N.A.	(8,171.8) ¹						
1951	3,406.0	282.0	17.6	31.5	3,235.0	11,509.8	320.0	479.0	12,308.8	3,853.0	4,334.0	8,187.0
1952	3,401.0	268.0	18.2	31.6	3,425.0	11,749.6						
1953	3,470.0	264.0	17.5	22.8	3,630.0	12,006.6						
1954	3,366.0	255.0	18.2	23.5	3,520.0	11,817.8						
1955	3,265.0	274.0	18.2	18.7	3,450.0	11,510.7						
1956	3,290.0	290.0	16.2	14.2	3,471.0	11,262.8	98.9	548.0	11,909.7	3,339.0	3,969.0	7,307.0
1957	3,350.0	280.0	13.0	19.7	3,471.0	11,291.0						
1958	3,185.0	285.0	15.0	31.6	3,529.0	11,292.3						
1959	3,300.0	280.0	12.7	33.3	3,580.0	11,330.0						
1960	3,400.0	282.0	12.8	14.3	3,500.0	11,080.8						

¹ Excluding improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces. Other years, crops section, Agriculture Division.

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

MANITOBA, 1946-1960

Improved Land									
Spring wheat	Oats for grain	Barley	Fall rye	Spring rye	Flaxseed	Mixed grains	Corn for grain	Buckwheat	
—thousand acres—									
1946	2,522.0	1,384.0	1,687.0	14.9	5.9	305.0	14.1	11.7	4.5
1947	2,497.0	1,301.0	1,901.0	32.0	8.0	600.0	13.4	10.5	2.3
1948	2,172.0	1,412.0	1,540.0	96.0	21.6	1,000.0	20.7	9.9	2.2
1949	2,887.0	1,605.0	1,699.0	40.0	6.1	140.0	27.2	22.0	2.1
1950	2,382.0	1,522.0	1,717.0	69.0	13.4	323.0	32.4	30.0	6.5
1951	2,326.0	1,643.0	2,040.0	41.8	11.0	655.0	33.0	25.0	7.4
1952	2,368.0	1,611.0	2,165.0	58.8	13.4	500.0	36.6	19.7	13.0
1953	2,300.0	1,412.0	2,365.0	120.0	18.0	420.0	33.3	15.0	23.0
1954	2,139.0	1,510.0	2,202.0	78.7	13.7	444.0	38.3	9.9	24.0
1955	2,075.0	1,485.0	2,090.0	78.7	10.3	531.0	47.0	6.3	35.0
1956	2,199.0	2,053.0	1,548.0	61.4	7.0	789.0	66.9	7.1	61.8
1957	2,200.0	1,800.0	1,704.0	65.7	7.2	865.0	72.3	11.5	35.0
1958	2,358.0	1,711.0	1,584.0	65.1	6.4	550.0	111.0	11.5	35.0
1959	2,594.0	1,729.0	1,349.0	75.6	7.4	575.0	143.0	8.9	25.0
1960	2,659.0	1,831.0	1,071.0	79.0	6.0	707.0	145.0	10.0	25.0

Improved Land									
Peas dry	Soy- beans	Potatoes	Mustard seed	Rape- seed	Sunflower seed	Tame hay	Fodder corn	Sugar beets	Summer- fallow
— thousand acres —									
1946	30.4	—	24.6	—	2.5	23.0	311.0	16.6	2,560.0
1947	31.2	—	21.6	—	—	23.0	330.0	12.4	2,381.0
1948	17.0	—	18.7	—	—	29.0	317.0	13.3	2,560.0
1949	10.0	—	18.4	—	—	60.0	327.0	16.9	2,637.0
1950	10.0	—	19.9	—	—	26.0	395.0	16.9	2,765.0
1951	14.9	—	15.8	—	—	21.5	399.0	15.7	2,519.0
1952	18.5	—	15.3	1.3	6.5	3.0	417.0	21.3	2,840.0
1953	37.0	—	17.3	0.5	4.5	6.5	450.0	18.5	3,020.0
1954	30.0	—	15.7	—	9.0	21.0	540.0	15.9	3,230.0
1955	41.0	—	15.1	0.3	7.0	20.0	583.0	15.6	3,300.0
1956	55.6	3.2	16.5	0.6	29.1	33.0	634.0	19.2	2,828.0
1957	56.0	4.0	15.3	0.2	27.5	30.0	722.0	17.9	2,934.0
1958	50.0	7.0	15.6	0.3	21.0	45.0	776.0	23.8	3,032.0
1959	40.0	3.0	15.5	0.2	12.0	25.0	797.0	28.0	2,971.0
1960	30.0	0.5	17.0	0.4	36.0	19.0	870.0	26.9	2,886.0

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

MANITOBA, 1946-1960—*Continued*

Improved Land						Unimproved Land			
Improved pasture	Sub-total	Other fodder crops	Other improved land	Total	Woodland	Other un-improved land	Sub-total	Grand total	
—thousand acres—									
1946	514.0	9,442.8	58.6	254.0	9,755.4	1,166.0	5,732.0	6,898.0	16,653.4
1947	N.A.	(9,173.3) ¹							
1948	N.A.	(9,238.9) ¹							
1949	N.A.	(9,513.3) ¹							
1950	N.A.	(9,348.3) ¹							
1951	585.0	10,372.2	63.0	323.0	10,758.2	1,812.0	5,156.0	6,969.0	17,727.2
1952	538.0	10,662.8							
1953	537.0	10,815.1							
1954	532.0	10,876.7							
1955	564.0	10,925.1							
1956	595.0	11,030.2	66.6	345.0	11,441.8	1,566.0	4,912.0	6,478.0	17,919.8
1957	622.0	11,211.0							
1958	676.0	11,100.7							
1959	692.0	11,108.1							
1960	710.0	11,153.8							

¹ Excluding Improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces. Other years, crops section, Agriculture Division.

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

SASKATCHEWAN, 1946-1960

Improved land													
Spring wheat	Oats for grain	Barley	Fall rye	Spring rye	Flax-seed	Mixed grains	Peas dry	Pota-toes	Mustard seed	Rape-seed	Tame hay	Fodder corn	
—thousand acres—													
1946	14,226.0	4,331.0	2,318.0	252.0	155.0	480.0	8.2	11.7	26.9	—	21.0	466.0	5.1
1947	14,226.0	3,983.0	2,780.0	564.0	192.0	850.0	12.0	9.4	24.7	—	58.3	475.0	5.6
1948	14,389.0	3,652.0	2,316.0	1,134.0	336.0	630.0	16.0	2.3	21.8	—	80.0	489.0	6.3
1949	15,737.0	3,381.0	1,800.0	557.0	167.0	122.0	20.0	2.0	19.6	—	20.0	517.0	3.9
1950	16,500.0	3,381.0	1,954.0	490.0	195.0	170.0	24.0	1.0	17.8	—	0.4	550.0	4.5
1951	15,635.0	3,815.0	2,449.0	404.0	306.0	296.0	27.8	1.4	15.7	—	6.5	572.0	1.8
1952	16,600.0	3,362.0	2,644.0	379.0	363.0	360.0	24.5	1.5	14.6	—	12.0	572.0	1.4
1953	16,800.0	2,721.0	2,745.0	500.0	370.0	324.0	22.8	1.0	13.9	—	25.0	515.0	1.2
1954	16,600.0	2,851.0	2,313.0	310.0	141.0	489.0	35.6	1.5	12.7	—	31.0	603.0	1.1
1955	14,100.0	3,654.0	3,846.0	278.0	179.0	1,030.0	37.0	2.0	13.8	—	123.0	621.0	1.1
1956	14,569.0	3,670.0	3,027.0	157.0	143.0	1,710.0	49.4	2.9	14.6	—	297.0	647.0	2.1
1957	13,365.0	3,214.0	3,791.0	184.0	84.4	2,025.0	62.7	3.0	14.5	—	520.0	723.0	1.9
1958	13,182.0	3,064.0	3,939.0	161.0	86.6	1,496.0	75.0	3.0	15.4	—	535.0	788.0	2.1
1959	14,803.0	3,303.0	3,148.0	175.0	78.6	975.0	80.0	3.0	17.4	—	165.0	837.0	2.7
1960	14,871.0	3,352.0	2,635.0	190.0	75.0	1,400.0	80.0	3.0	20.0	—	550.0	895.0	3.0

Improved Land						Unimproved Land				Grand total
Summer-fallow	Improved pasture	Sub-total	Other fodder crops	Other improved land	Total	Woodland	Other unimproved land	Sub-total		
— thousand acres —										
1946	11,827.0	823.0	34,950.9	220.0	555.0	35,725.9	2,142.0	21,684.0	23,826.0	59,551.9
1947	11,590.0	N.A.	(34,770.0) ¹							
1948	11,945.0	N.A.	(35,017.4) ¹							
1949	13,010.0	N.A.	(35,356.5) ¹							
1950	12,891.0	N.A.	(36,178.7) ¹							
1951	12,855.0	1,441.0	37,826.2	166.0	805.0	38,797.2	2,945.0	19,911.0	22,856.0	61,653.2
1952	12,430.0	1,297.0	38,061.0							
1953	13,450.0	1,206.0	38,694.9							
1954	14,650.0	1,208.0	39,246.9							
1955	14,284.0	1,170.0	39,338.9							
1956	14,194.0	1,128.0	39,611.0	189.0	704.0	40,504.0	2,379.0	19,909.0	22,288.0	62,792.0
1957	14,696.0	1,213.0	39,897.5							
1958	15,255.0	1,276.0	39,878.1							
1959	14,816.0	1,340.0	39,743.7							
1960	14,452.0	1,406.0	39,932.0							

¹ Excluding Improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces. Other years, crops section, Agriculture Division.

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

ALBERTA, 1946-1960

Improved Land											
Spring wheat	Oats for grain	Barley	Fall rye	Spring rye	Flax- seed	Mixed grains	Peas dry	Pota- toes	Mustard seed	Rape- seed	Sun- flower seed
— thousand acres —											
1946 6,983.0	2,755.0	1,783.0	156.0	59.0	80.0	25.4	19.0	26.3	—	—	—
1947 6,634.0	2,534.0	2,354.0	197.0	131.0	274.0	16.3	18.5	23.1	—	—	—
1948 6,259.0	2,452.0	2,226.0	400.0	237.0	250.0	41.6	14.5	21.0	—	—	—
1949 7,900.0	2,369.0	2,118.0	170.0	155.0	28.0	43.7	5.5	21.8	—	—	—
1950 7,500.0	2,617.0	2,534.0	138.0	136.0	48.0	59.2	7.0	20.5	—	—	—
1951 6,424.0	2,854.0	3,041.0	186.0	98.0	135.0	81.0	7.9	17.7	40.8	—	—
1952 6,404.0	2,587.0	3,336.0	232.0	107.0	167.0	71.3	8.5	17.2	44.8	—	—
1953 6,417.0	2,357.0	3,489.0	300.0	113.0	164.0	80.6	7.6	16.3	42.2	—	—
1954 5,968.0	2,354.0	3,053.0	115.0	29.0	215.0	103.0	9.2	17.3	69.0	—	—
1955 5,789.0	2,649.0	3,702.0	84.3	34.8	248.0	144.0	11.6	18.3	78.2	8.0	—
1956 5,296.0	2,935.0	3,606.0	54.7	28.9	511.0	189.0	12.0	19.5	137.5	25.8	—
1957 4,851.0	2,791.0	3,714.0	94.5	19.5	572.0	215.0	8.5	16.6	92.0	70.0	—
1958 4,704.0	2,809.0	3,846.0	81.2	18.5	556.0	225.0	3.6	18.7	87.0	70.0	—
1959 5,160.0	2,850.0	3,610.0	73.4	24.9	580.0	272.0	4.7	18.8	79.9	36.5	—
1960 5,060.0	2,730.0	3,490.0	80.0	20.0	690.0	275.0	6.2	20.0	140.0	170.0	—

Improved Land							Unimproved Land				
Tame hay	Sugar beets	Summer- fallow	Im- proved pasture	Sub- total	Other fodder crops	Other im- proved land	Total	Wood- land	Other unim- proved land	Sub- total	Grand total
— thousand acres —											
1946 873.0	29.6	6,011.0	731.0	19,531.3	279.0	423.0	20,233.3	2,109.0	19,311.0	21,420.0	41,653.3
1947 969.0	29.3	5,773.0	N.A.	(18,953.2) ¹							
1948 969.0	29.2	6,199.0	N.A.	(19,098.3) ¹							
1949 1,030.0	32.4	6,116.0	N.A.	(19,989.4) ²							
1950 1,126.0	36.2	5,950.0	N.A.	(20,171.9) ¹							
1951 1,206.0	32.6	6,195.0	1,113.0	21,432.0	283.0	536.0	22,251.0	2,866.0	19,323.0	22,189.0	44,440.0
1952 1,292.0	36.7	6,190.0	1,156.0	21,649.5							
1953 1,300.0	34.7	6,490.0	1,180.0	21,991.4							
1954 1,443.0	37.0	7,750.0	1,175.0	22,337.5							
1955 1,573.0	36.4	6,930.0	1,240.0	22,546.6							
1956 1,614.0	36.2	7,091.0	1,280.0	22,836.1	397.0	525.0	23,758.1	2,891.0	19,333.0	22,224.0	45,982.1
1957 1,887.0	36.7	7,093.0	1,388.0	22,878.8							
1958 1,996.0	38.3	7,017.0	1,460.0	22,930.3							
1959 2,075.0	35.1	6,738.0	1,586.0	23,144.3							
1960 2,200.0	41.4	6,600.0	1,700.0	23,222.6							

¹ Excluding Improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces.
Other years, crops section, Agriculture Division.

DISTRIBUTION OF SPECIFIED ACREAGE IN OCCUPIED FARMS

BRITISH COLUMBIA, 1946-1960

Improved land									
Spring wheat	Oats for grain	Barley	Fall rye	Flaxseed	Mixed grains	Peas, dry	Potatoes	Tame hay	Fodder corn
— thousand acres —									
1946	108.0	93.8	17.0	1.4	1.9	2.0	8.2	18.0	294.0
1947	103.0	97.6	22.0	1.3	5.5	2.2	7.7	15.8	299.0
1948	93.1	88.2	23.0	2.0	5.8	2.2	2.5	15.6	300.0
1949	120.0	96.6	26.0	1.6	2.4	2.1	3.5	13.6	306.0
1950	107.0	103.0	25.0	1.9	3.8	2.6	3.7	12.5	308.0
1951	101.0	103.0	32.1	2.4	6.7	2.3	1.9	9.8	311.0
1952	85.8	100.0	50.7	3.4	7.4	2.4	2.6	10.2	315.0
1953	81.4	98.0	65.2	3.8	7.4	2.9	3.2	11.3	309.0
1954	70.0	84.4	72.4	2.3	11.0	2.9	4.0	10.2	304.0
1955	66.0	83.0	73.8	1.6	10.0	3.2	5.3	9.4	325.0
1956	53.9	92.5	66.4	1.5	13.6	4.7	6.6	10.0	332.0
1957	44.7	89.7	65.5	2.0	11.6	4.0	6.1	10.0	357.0
1958	41.0	88.2	58.4	1.1	9.7	4.2	5.0	11.5	367.0
1959	46.9	89.3	55.2	1.2	11.7	3.1	5.6	10.8	374.0
1960	50.5	82.7	53.5	1.0	11.0	2.6	5.4	10.9	390.0

Improved land						Unimproved land			
Summer- fallow	Im- proved pasture	Sub- total	Other fodder crops	Other im- proved land	Total	Wood- land	Other unim- proved land	Sub- total	Grand total
— thousand acres —									
1946	75.5	N.A.	(625.2) ¹						
1947	68.2	N.A.	(625.9) ¹						
1948	79.5	N.A.	(615.0) ¹						
1949	69.8	N.A.	(645.7) ¹						
1950	72.8	N.A.	(643.7) ¹						
1951	70.3	343.0	987.2	35.9	61.8	1,084.9	1,157.0	2,398.0	3,554.0
1952	73.1	343.0	997.3						4,638.9
1953	69.5	340.0	994.8						
1954	82.0	340.0	986.0						
1955	86.1	325.0	989.1						
1956	87.5	320.0	992.7	42.8	69.3	1,104.8	855.0	2,517.0	3,372.0
1957	85.8	300.0	979.0						4,476.8
1958	90.1	305.0	983.5						
1959	77.1	311.0	989.0						
1960	74.4	322.0	1,007.1						

¹ Excluding Improved pasture.

SOURCE: Census of Agriculture, 1951 and 1956 for all provinces and 1946 for the Prairie Provinces. Other years, crops section, Agriculture Division.

April 13, 1961,
Agriculture Division,
Dominion Bureau of Statistics,
Ottawa.

APPENDIX D

V

STATEMENT PREPARED BY THE ECONOMICS DIVISION,
CANADA DEPARTMENT OF AGRICULTURE
FOR THE
STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
CONCERNING THE FOLLOWING

Freight Rates on Agricultural Implements From Toronto to Selected Points in Western Canada and the Maritimes. These data show for the period 1949 to date the freight rates for the category of the main items of farm implements. Rates on other items which are excepted from this general class are also shown in the attached schedule.

*Implements, Agricultural,
Other than Hand, with Exceptions¹
Railway Freight Rates, 1950 to date*

From: Toronto

To: Edmonton, Regina, Winnipeg and Truro

Destination: Edmonton Regina Winnipeg Truro
(cents per 100 lb.)

Effective Date	6th Class ²			
11 Oct. 1949	234	179	132	
23 Mar. 1950	252	193	142	
16 Jun. 1950	260	199	146	
26 July 1951	291	223	164	
11 Feb. 1952	304	233	171	
1 May 1952	291	221	161	
1 Jan. 1953	317	242	175	
16 Mar. 1953	339	259	188	
1 May 1953 to				
28 Feb. 1955	332	253	183	
	Class 40 ^a	Class 40 ^b		
1 Mar. 1955	305	243	191	111
1 Nov. 1955	298	236	184	111
1 Mar. 1956	305	243	191	111
3 July 1956	327	261	206	119
1 Jan. 1957	340	271	213	123
1 Mar. 1957	342	273	215	123
1 Aug. 1958	342	272	214	123
1 Dec. 1958	402	320	252	144
1 Mar. 1959	399	317	249	144
1 Aug. 1959	375	297	234	135
1 Dec. 1959	364	289	226	135
6 May 1960 to date	358	283	221	133

Implements, Agricultural, other than Hand

^aSource: CFA. CTC. 1534, class 40, and item 200 of CFA. CTC. 1515.
Minimum weight varies, with implement, from 18,000 lb., in open car not over 41 ft. 8 in. long, to 24,000 lb.

^bSource: CFA. CTC. 1576, class 40 and item 170 of CNR. CTC. E. 4060.
Minimum weights as for "^{cn}".

¹All 6th class or class 40 rates shown have applied continuously on all principal items of farm machinery, other than those specified under "Exceptions" below. These principal items include tractors and combines in addition to the more general item for implements not otherwise indexed by name (noibn), "agricultural implements, other than hand, noibn, K.D. in packages, or S.U."

Exceptions: Implements Requiring Higher than Class 40 or 6th Class Rates Now or Previously.

1. Those requiring higher rates now.

(a) Those listed in CFC 20 (Canadian Freight Classification No. 20), under "Agricultural implements other than hand" with a higher classification rating than class 40:

(1) Those subject continuously since 1950 to said higher rates:
Feeders to threshers; straw stackers for threshers; one or two-

wheeled trucks or binders' trucks; and agricultural implements in mixed carloads with iron or steel chain, belting or sprocket.

- (2) Those becoming subject to said higher rates 1 March 1955 or later (year of effectiveness of increased rate in brackets): Beet pullers (1955); crop driers (1957); pea viners (1959); rakes, S.U. (1961); rock pickers (1958); soyabean harvesters and threshers, combined (1958); stackers, other than for threshers or separators (1958); and, probably (if "farm carts" includes "beet harvester carts") for eastbound shipments only, beet harvester carts, S.U. (1955).
- (b) The following are listed in C.F.C. 20, but not under "agricultural implements, other than hand" and are subject to higher rates for eastbound shipments only: cream separators; feed conveyors; field or orchard sprayers; windmills; and windmill towers.
2. Those requiring higher rates previously but taking class 40 rates now.
 - (a) Those of which the rates were changed to class 40 by CFC 20. Traction engines and potato diggers were subject to 5th class rate from 8 Nov. 1950, or earlier for engines, to 28 Feb. 1955. CFC 20 changed the rate of class 40 effective 1 March 1955.
 - (b) Changed to class 40 by commodity items. Hay press and windrow pickup, combined, effective as follows: (1) For westbound shipments, 5th class November 1953 to 27 June 1954 and 6th class or class 40 thereafter. (2) For eastbound shipments, 5th class or class 45 from November 1953 to 10 February 1957 and class 40 thereafter. Also, for westbound shipments only, changed to class 40 (effective year in brackets): Feed conveyors, K.D. (1960). The commodity items referred to are item 200 of CFA. CTC. 1515, preceded by item 145 of CFA. CTC. 1292, and item 170 of CNR. CTC. E. 4060.

Other Implements

Those entitled to continuing class 40 rate only through commodity items.

Through the commodity items identified in paragraph 2(b) above, and effective 28 April 1958, many implements were authorized to receive continued application of the preceding class 40 rate that would otherwise have been increased effective 29 April 1958, to class 45 rate when these implements were specifically added to CFC 20, and were thereupon individually assigned class 45 ratings, rather than being subject to class 40 under the general item "agricultural implements, other than hand, noibn, K.D. in packages or S.U."

²Source CFA. CTC. 1164, 6th class and CFA No. 5 series either CTC. 1292, item 145 or CTC. 1515, item 200. Minimum weights varied with implements as follows: From 24 July 1950 to 29 October 1952, from 20,000 lb. to 24,000 lb., or for multicar shipments 17,500 lb. and up. From 30 October 1952 to 28 February 1955, same as for "a" above.

APPENDIX "E"

This insert is being included with our Brief because we feel it provides valuable condensed information by a capable, experienced and well qualified person. Mr. W. C. Cockshutt who for one year was a member of our staff, employed to teach Business Management to Farm Equipment Dealers prepared this data from long hours of research through publications, articles, studies and so on all having to do with Farm Equipment Retailing.

1.—*Overallowances and Discounts.* The attached pages give more information regarding this item but basically the customer is *normally* given a considerable reduction in price. It varies from 5% to 20% and will average out between 8% and 10%. His original margin then, or spread between factory invoice and retail price, is reduced from 20% to 12%. A large amount of emphasis should be used to show that this 8% to 10% is always passed on as a saving to the customer.

2.—*Selling Costs.* The farm equipment retailer has greater selling costs than almost any other retailer because he must "beat the bushes" and search for his prospects and deals. This is partly due to the nature of the farmer because he is more likely to make a large purchase while on his own premises. It is also necessary for the seller to appraise the used machine and it is only possible to do this on the farm. A comparison here can be drawn between farm equipment and appliances, groceries, clothes, cars, etc., which can be sold to walk-in trade, off the shelf. This situation generally eats up about 7% of the retail price which lowers the operating profit to 5% (12%-7%).

3.—*Warranty.* In most industries the manufacturer bears the brunt of warranty, and even if the retailer does the actual work, he is reimbursed in full. This is not so with farm equipment. The dealer must keep his customer satisfied and does the public relations job for the manufacturer. When costs are involved he is only credited with the actual parts and in some cases about 50% of the labour costs. 50% on labour will not cover his cost and even this small amount of credit is only granted on larger items such as tractors, combines and balers. He must bear 100% of the costs in respect to all small machines and used equipment. This generally lowers his operating profit a further 2% with a net result that his realized net will be about 3% (5%-2%).

In general the dealer has little influence over these three items mainly because the customer expects it of him, and he will lack volume if he does not satisfy the farmer. Many other items eat into his profit, the largest of which is probably the loss normally experienced in operating his shop. The nature of the work requires a shop and the thriftiness of the customer dictates the rate he may charge. He is then caught in the squeeze between cost and sale price over which a small operator has little control.

The attached outline and calculations may back up and explain the above statements and are the *considered opinions* of the writer.

SUMMARY

New Equipment Sales

Original Dealer Margin		20%
Overallowances	8%	
Selling Expenses	7%	
Warranty Costs	2%	
	17%	17%
NET PROFIT		3%

Total Dealership Sales

Gross Margin All Departments	16%
Total Expenses	15%
Operating Profit	1%
Other Income	2.7%
NET PROFIT	3.7%

NOTE: Net Profit is before Income Taxes.

INFORMATION ON CANADIAN FARM EQUIPMENT DEALERS

Estimated Average Sales Breakdown

Farm Equipment Dealers have sales volumes varying from less than \$25,000.00 per year to about \$600,000.00 per year. The average, however, will be somewhere around \$100,000.00. These figures are based on total retail sales, calculated by the automotive type of accounting in which a sale is shown at the full retail value rather than the cash difference or Net Sales system.

i.e. New Unit	4000	
Cash	2000	
		6000
Trade	2000	
Trade Sale	2000	

Total sale is \$4000 plus \$2000 = \$6000.00

The following breakdown is representative of normal pattern. Any major line handled such as cars, wholesale distribution, gas and oil, farm bulk gasoline sales etc. are *not* included.

Retail Sales Breakdown

New Equipment	\$ 55,000.00
Used Equipment	15,000.00
Parts	10,000.00
Service Labour	10,000.00
Misc. Sales	10,000.00
	<u>\$100,000.00</u>

Gross Margins

All companies have varying contracts, discounts and purchase agreements, but most of them fall within the following list:

	Original Discount	Extra Discount
New Machines	20%	4%
Parts	27%	5%

Operating Margins

Using the above discount schedule for calculations we shall apply the average costs and deductions which appear to average as shown. Many dealers will show better operating margins, but the majority, fall below these.

New Equipment

Original Gross Margin	20%
Overallowances to Customers	8%
Operating Margin	12%
Selling Expenses	7%
Net Profit	5%

The major item here is "overallowances to customers" which vary from zero to as much as 20%. In almost every instance the customer can get a minimum of 10% discount for cash. The selling expenses shown do not include any allowance for reconditioning.

Used Equipment

There is actually no gross margin available here as it is generally found that a trade is sold at the allowed price, less the overallowance shown under new equipment. This then means that Operating Profit is zero. Selling Expenses involved are 7% and would include reconditioning. This then is a loss of 7% for the used equipment operating. Since Sales of Used *in dollars* is about 27% of New, then the loss would be 27% of 7% or 1.89%.

Net Loss 1.89% of Total Sales

Parts Department

The Parts Department operates at a larger original margin (27%), but at the average dealership the Net is small because of the parts man's wages where volume is low. At an annual sales volume of \$10,000.00 the margin available would provide only \$2700 for the parts man's wages.

Net Profit 0%

Service Shop

Most shops in small dealerships are kept merely to provide the necessary labour force to carry on the Sales of New and Used Equipment. The larger the shop the greater percentage of available hours will be devoted to actual customer work. This is the only work on which they can attempt to make a profit and in many cases they do not charge sufficient to make a reasonable profit after all expenses are met.

The average shop then normally shows a considerable loss on its operations. This loss will probably approach 20% of labour sales or an amount equal to about 2% on total sales—all departments.

Net Loss 2% of Total Sales

Other Income

Since most companies give some extra discounts, sales allowances, volume bonuses, etc. this other income is a credit to the total operation.

5% cash discount on parts

4% bonus or special allowance on New Equipment

These figures when applied to the Total Sales of all departments will be as follows:

Parts 10% of 5% .....	.5%
New Equipment 55% of 4%	2.2%
	<hr/>
Total	2.7%

Total Net Profit

New Equipment	5.0 %
Used Equipment	—1.89%
	<hr/>
New and Used	3.11%
Parts Dept.	0. %
Service Shop	—2.0 %
Other Income	2.7 %
	<hr/>
Total Net Profit	3.81%

NOTE: This Net Profit is before Income Tax is deducted.

HOUSE OF COMMONS

Fourth Session—Twenty-Fourth Parliament
1961

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

LIBRARY
UNIVERSITY OF TORONTO

Respecting

PRICES OF FARM MACHINERY

FRIDAY, MAY 12, 1961

MONDAY, MAY 15, 1961

WITNESSES:

From *International Harvester Company of Canada, Limited*: Messrs. O. G. Voss, President; C. C. Brannan, Vice-President; W. B. Gay, Vice-President and Comptroller; W. E. Jolley, Secretary and E. L. Edmonds, Assistant Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue	Hales	Noble
Badanai	Hardie	Pascoe
Belzile	Henderson	Peters
Boulanger	Hicks	Phillips
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Racine
Campbell (<i>Lambton-</i>	Horner (<i>Jasper-Edson</i>)	Rapp
<i>Kent</i>)	Horner (<i>The Battlefords</i>)	Regnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Rompere
Danforth	Korchinski	Southam
Doucett	Latour	Stefanson
Drouin	Leduc	Tardif
Dubois	McIntosh	Thomas
Dupuis	Mandziuk	Thompson
Fane	Michaud	Tucker
Forbes	Milligan	Villeneuve
Forgie	Montgomery	Webb—60.
Godin	Muir (<i>Lisgar</i>)	
Gundlock	Nasserden	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, May 9, 1961.

Ordered,—That the name of Mr. Mandziuk be substituted for that of Mr. Smith (Lincoln) on the Standing Committee on Agriculture and Colonization.

Attest

LÉON-J. RAYMOND
Clerk of the House.

MINUTES OF PROCEEDINGS

FRIDAY, May 12, 1961.

(15)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Badanai, Belzile, Campbell (*Lambton-Kent*), Clermont, Cooper, Doucett, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Korchinski, McBain, McIntosh, Mandziuk, Montgomery, Muir (*Lisgar*), Noble, Pascoe, Rapp, Régnier, Ricard, Smallwood, Tardif, Thomas, Thompson, Tucker, Villeneuve and Webb—29.

In attendance: From *International Harvester Company of Canada, Limited:* Messrs. O. G. Voss, President; C. C. Brannan, Vice-President; W. B. Gay, Vice-President and Comptroller; W. E. Jolley, Secretary and E. L. Edmonds, Assistant Secretary.

The Chairman introduced Mr. Voss who, in turn, introduced the officials of International Harvester Company of Canada, Limited. On behalf of his company, Mr. Voss presented their brief regarding farm machinery prices.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING

(16)

The Committee reconvened at 2.35 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Badanai, Belzile, Campbell (*Lambton-Kent*), Clermont, Cooper, Danforth, Doucett, Fane, Forbes, Gundlock, Henderson, Hicks, Korchinski, McBain, McIntosh, Mandziuk, Montgomery, Muir (*Lisgar*), Pascoe, Rapp, Régnier, Ricard, Rogers, Smallwood, Tardif, Thomas, Thompson and Villeneuve—28.

In attendance: Same as at morning sitting.

Mr. Voss continued the presentation of the International Harvester Company of Canada, Limited brief.

Mr. Danforth moved, seconded by Mr. Montgomery,

Resolved,—That the Committee print 1,000 copies in English and 350 copies in French of this day's Minutes of Proceedings and Evidence.

Agreed,—That Cost Analysis Comparison by Years of International Harvester Company of Canada, Limited, Hamilton Farm Equipment Works be made an appendix to this day's Minutes of Proceedings and Evidence. (See appendix "A")

The Committee questioned the officials of the International Harvester Company of Canada, Limited on their brief.

The Chairman thanked the officials of International Harvester Company of Canada, Limited for their appearance.

At 6.00 p.m. the Committee adjourned until Monday, May 15, at 9.30 a.m.

Clyde Lyons,

Clerk of the Committee.

MONDAY, May 15, 1961.

(17)

The Standing Committee on Agriculture and Colonization met *in camera* at 9.35 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Argue, Badanai, Clermont, Doucett, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Horner (*Jasper-Edson*), McBain, Mandziuk, Montgomery, Muir (*Lisgar*), Pascoe, Peters, Rapp, Regnier, Rogers, Smallwood, Southam, Stefanson, Tucker, Webb—(24).

Agreed,—To further consider invitation of Massey-Ferguson Limited to have Committee visit Toronto plant.

Agreed,—Not to schedule an appearance of Saskatchewan Implements Limited at this time but to ask for copies of their brief.

Agreed,—On the format of the letter to companies manufacturing farm machinery for sale in Canada.

At 10.40 a.m. the Committee adjourned until Friday, May 19 at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

FRIDAY, May 12, 1961.

The CHAIRMAN: Good morning, gentlemen, we have a quorum and the meeting will come to order. This morning I am very pleased to introduce to you Mr. O. G. Voss, president of International Harvester, and he in turn will introduce the members of his organization.

Mr. O. G. Voss (*President, International Harvester Company of Canada Limited*): International Harvester Company of Canada Limited, is pleased to have been given the opportunity to present its views on the factors influencing the prices of its farm equipment products.

Before proceeding further, I should like to introduce my team here this morning. On my immediate right is Mr. C. C. Brannan, who was formerly manager in charge of sales of farm equipment for our Canadian operation. He is a Manitoba man and is now vice-president of the company in charge of merchandising and employee services.

To his right is Mr. Gay, the comptroller of our company; on his right is Mr. Jolley, secretary of the company and behind him is Mr. Edmonds, our assistant secretary.

Now, at the risk of being misconstrued and misunderstood, I am going to depart from the brief on numerous occasions and present some charts in which I think you will be interested. Indeed, if I understand the objective of your committee correctly, you will be very much interested in them.

When we first made up our brief seven or eight days ago, and even in the final stages, I do not think we exactly knew what you men were driving at. We thought you were primarily concerned with how we establish prices for our goods, and we emphasized that in our brief. Now, however, I understand one of your basic concerns—and I share this concern—is why farm machinery prices have gone up as much as they have. Understanding that this is one of your greatest concerns, and I heard that when I attended a meeting here two weeks ago, we have gotten together some information along that line which we hope will answer your chief question.

Now, gentlemen, before starting our brief I wish to say that we are going to keep this as informal as possible. I have not fully rehearsed this thing, and so it is not canned. First of all, I should like to say that I want to get through our brief before you start to ask questions which, of course, we shall be very happy to try to answer to the best of our ability. But, as we go through the brief I think you will find that it gives answers to a lot of questions.

We fully recognize that the Canadian farmer has a serious problem to cope with in the narrowing gap between the prices he pays for the goods and services he uses, and the prices he receives for his products.

One of our company's prime objectives is the development of machinery which will lower the farmer's cost per unit of output. We believe that the improvements we have built into our products over the past decade have assisted the Canadian farmer to combat the cost-price squeeze.

Like most other manufacturing industries in Canada, we are faced with a cost-price squeeze of our own—between rising labour and material costs in our factories, and increasingly competitive conditions in the market. These factors have resulted in our having lower profit margins than the majority of

other industries manufacturing durable goods. We consider our profit margins to be too low in relation to our investment in manufacturing facilities, tooling equipment, distribution facilities and inventories.

In the pages that follow, we will deal with the effect which these rising labour and material costs have on our prices. Further, we will submit evidence to show that the farmer still receives good *value* for his farm machinery dollar, despite the inevitable price increases.

Now, I should like to tell you a bit about our history.

The company commenced operation in Canada with the opening of a branch in Winnipeg in 1887. A reorganization of the U.S. Company in 1902 was followed by the founding of the present Canadian company in 1903, as a wholly-owned subsidiary. District offices were opened in the same year in London, Montreal and Regina. In addition to these three points, we now have, and have had for some years, district offices at Saint John, N.B., Quebec City, Ottawa, Hamilton, Winnipeg, Saskatchewan, Yorkton, Calgary, Edmonton and Vancouver.

We have a map here on my left which shows how we blanket the country with distribution outlets. I shall not call your attention to all those now. You know the location of these cities, perhaps better than I do, but you will readily see that we have a good network of sales offices. Later on we shall tell you about our parts distribution and transfer offices in three or four different locations. These will be dealt with a little later as we get to the other installations which we have.

Gentlemen, may I ask can you hear me all right? Is this fan too noisy for you? Is everything all right? I would prefer if you left it on.

To return to the brief, manufacturing operations began at Hamilton Works in 1904 with the production of binders, mowers, rakes and grain drills, and within 12 months Hamilton works was employing upwards of 2,000 workers. Production of farm implements has continued since that time for both the Canadian and export markets. In 1960 our employment at this works reached approximately 3,500 employees. In 1961 a new three and a half million dollar extension to our Hamilton farm equipment works will go into production, manufacturing balers, windrowers, combines and manure spreaders. We are now making all these machines, except for manure spreaders, but in older and less efficient building facilities. This expansion was necessary to manufacture increased quantities of the latter three machines for the export market and that is primarily for the United States, for the parent company for sale in the States.

Quite early in the company's history, in the year 1907, a product engineering department was established. That, gentlemen, is our name for product design. Product engineering is designing as well, so far as our nomenclature is concerned.

Today the engineering department numbers 136 employees, and has the most modern facilities. The department has been responsible for the design and development of many farm machines, a number of which have won wide acceptance in the United States and overseas. These Canadian-designed products, and others, are manufactured at Hamilton Works for the North American world-wide markets.

Hamilton works is the sole source of supply—and I mean the sole source of International Harvester supply—for the North American market of such machines as grain drills, windrowers, field cultivators, chisel plows, diskall type machines, rod weeders, manure spreaders, potato planters and diggers, and so forth. This, in effect, means that our Hamilton works is responsible for the design and production of all the tillage and seeding equipment that our parent company sells in the great plains wheat belt in the United States, and

even makes combines which we sell there. In addition, this works manufactures a wide range of machines such as bailers, mowers, plows, disk harrows and so on, primarily for the Canadian market.

I think you will be very much interested in this next comment, because it has been in the news frequently that American subsidiary companies have not pulled their weight in Canada but we, of Harvester, are very proud of our record in that regard. Last year the company exported to the United States substantially more farm machinery, in dollar volume than we imported from that country—and when I say “substantially” I mean more than 50 per cent. We are proud of that. It was all designed and manufactured by Canadians. I am an American, so I think I can say that, but we are very proud of our crews here and we are very proud of the contributions they have made to Harvester throughout North America.

Contributing to this favourable balance of trade was a new line of Canadian designed crawler tractors and a self propelled combine which have been received enthusiastically by farmers in many parts of the world since their introduction two years ago.

I think we are the only company manufacturing crawler tractors in Canada. We make one of approximately 40 horsepower, and the United States is one of our best customers despite the fact that they make a crawler tractor of approximately the same size down there. We have sold quite a few of these crawler tractors in Australia, New Zealand, even Germany, and elsewhere. To service its customers and dealers, International Harvester Company of Canada Limited maintains an extensive service parts distribution system. Parts depots are strategically located in Edmonton, Winnipeg and Montreal, with the master parts depot in Burlington, Ontario. As most of you know, that is just outside Hamilton. All of these depots are linked by teletype service. The parts stored in this system supplement the stocks held by the company's district offices and more than 900 dealers.

The essence of this system is that adequate supplies of parts are stocked as close as possible to the area of use. I think we have almost pioneered parts depots, first south of the border and then here. As you will see on this map, our main factory is here at Hamilton. Next door is our master parts depot at Burlington. We have a parts depot at Montreal, a large parts depot at Winnipeg and a large one at Edmonton. In addition, through provincial law, we are required to have additional parts stocks. We have parts stocks for farm equipment here in Calgary. In addition, a large depot operates at Edmonton. We have a parts stock at Saskatoon and also at Regina. We have a parts depot at Winnipeg and a farm equipment parts stock, of course, in the depot at Burlington. We also have one at Montreal at the depot, for the province of Quebec and at St. John. Our company has instituted this comparatively new concept in service parts distribution in order to provide better service to our dealers and customers.

This brings us down through the introduction to the meat of our problem. Retail price of farm machinery.

An examination of the dominion bureau of statistics document, “Price Indexes of commodities and services used by farmers,” shows that on the basis of 1935-39=100, the farm machinery price index was 158.3 in 1949, 248.4 in 1959, and an estimated 254.2 in 1960. This is an increase of 56.9 per cent between 1949 and 1959, and an increase of 60.6 per cent between 1949 and 1960.

The main figure I would like you to remember for the purpose of our presentation is the figure of 60.6 per cent between 1949 and 1960. We do not quarrel with the dominion bureau of statistics figures; we assume they are right and I am sure they are. We have a retail farm machinery price index

of our own over this same period 1949 to 1960. It shows an increase of 54.1 per cent calculated on a basis similar to that of the dominion bureau of statistics index for the industry. Our price and contract department developed this index several years ago for our own purposes. For your information, they co-ordinated with the dominion bureau of statistics and got their advice, counsel and suggestions so that we could have something tangible to latch on to. I believe you, Mr. Edmonds, followed that through, and I believe you followed to the letter what they suggested.

International Harvester's retail farm machinery price index over the period 1949 to 1960, has shown an increase of 54.1 per cent, calculated on a similar basis to the dominion bureau of statistics index for the industry.

Any attempt to measure changes in prices of products such as comprise our farm tractor and implement lines, runs head-on into the perplexing problem of evaluating changes in features or quality. The price movements previously referred to for our products fall short in this regard, as does any of the other price index information available. This is quite important in any consideration of price indices, because machines change. Nonetheless, these indices are worthwhile, recognizing their limitations.

The next subject is labour costs. The average hourly labour cost—including overtime and shift premiums, holiday and vacation pay and all fringe benefits—for all hourly paid and piece work employees at our farm equipment works at Hamilton, has risen over the same period by 99.3 per cent.

We have a chart to illustrate the sky-rocketing of our labour costs since 1949. Our labour costs have doubled. This term, average hourly labour cost for all hourly paid and piece work employees, covers what we would normally call factory workers. It includes everybody in our factory who is paid on an hourly basis. It does not include salaried people on the monthly payroll, but it does include our day workers and our piece workers. For all practical purposes it covers our wage earners or factory workers. This is not a technical point and is not subterfuge or camouflage; these are genuine figures taken in our normal way of reporting factory wage earners.

Mr. PASCOE: Will this chart be included in the report of our proceedings?

Mr. VOSS: If the chairman requires it we have facsimiles of these.

The CHAIRMAN: We have included these in our previous reports and should do so in this instance.

Mr. VOSS: So, this is the average hourly labour cost. You would want to know how this was arrived at. It is very simple. We have taken the total wages, fringe benefits and everything we have paid these people and have divided it by the number of hours they worked in each year. There is no more representative way of showing it.

In 1949 it was \$1.35; 1950, \$1.50; 1951, \$1.73; 1952, \$1.96; 1953, \$2.03; 1954, \$2.13; 1955, \$2.20; 1956, \$2.22; 1957, \$2.36; 1958, \$2.51; 1959, \$2.62; and 1960, \$2.69. Our fiscal year starts on November 1 and ends on October 31. I think this figure of \$2.71 for 1961 was made up as of the first of April. Of course, as you appreciate, that is for five months of our fiscal year. In this first five months it went from \$2.69 to \$2.71. You will see this dotted line going up here, and you will see here the asterisk. As of April 22, about three weeks ago, our average hourly rate at the Hamilton works went up another eight cents an hour under the terms of a labour agreement we signed in 1959. So, for 1961, the spiral continues. It is up to 2.78 and may go higher. I am just as worried about this as you are; maybe more so. Where is it going from here? Is this the end? You possibly will have another inquiry here next year the way this is going, and you would probably be justified in doing so, because we have some labour contracts now which provide for automatic increases going into

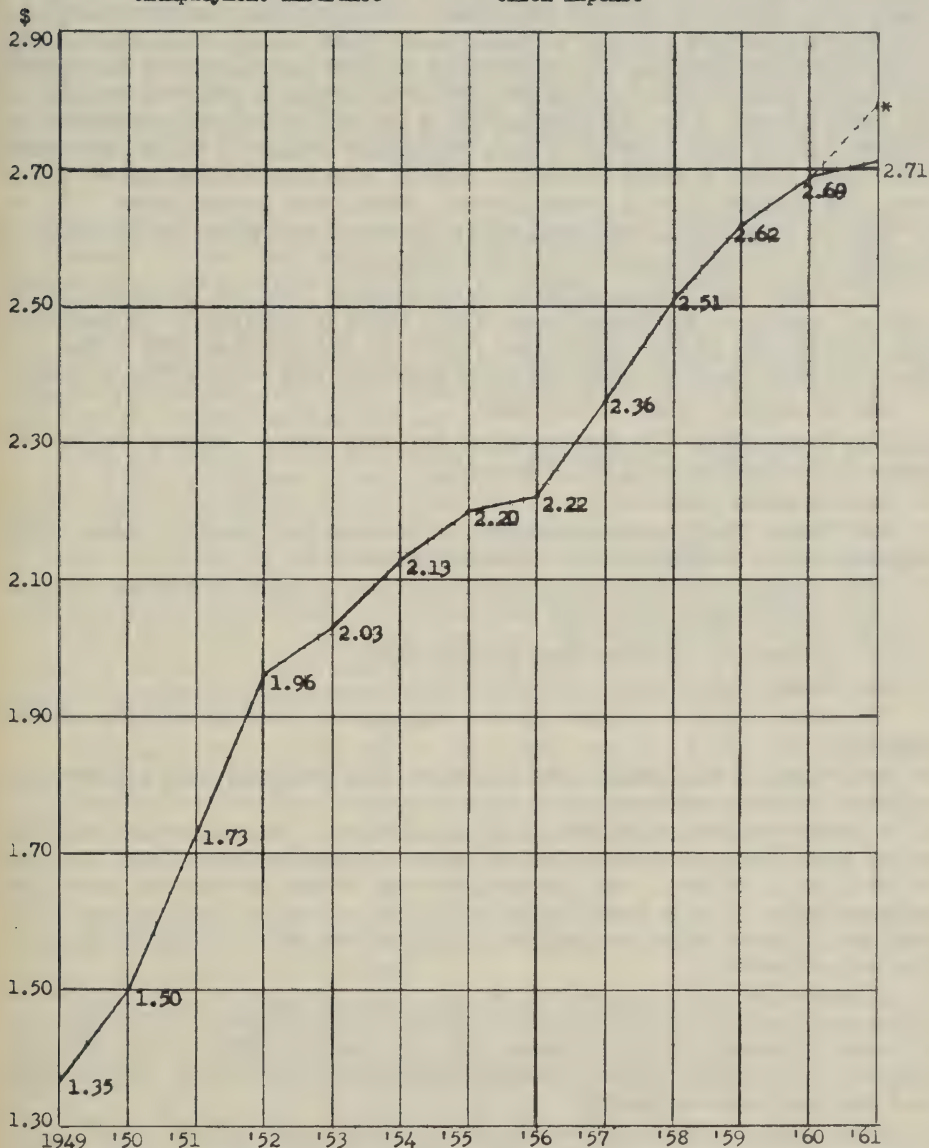
INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED
HAMILTON FARM EQUIPMENT WORKS

AVERAGE HOURLY LABOUR COST FOR ALL HOURLY PAID AND PIECE WORK EMPLOYEES

Includes:

Overtime and Shift Premiums
Vacation and Holiday Pay
Group Insurance
Hospital Insurance
Unemployment Insurance

Supplementary Unemployment Benefits
Workmen's Compensation
Pension Plan
Jury Duty
Union Expense



* 1961 figure does not include an .08¢ per hour increase which was effective April 22nd, 1961.

1962. I believe this is in respect to the salaried employees in one of the office unions; so I can assure you that so far as salaried people are concerned it will continue.

There is one thing more to which I would like to direct your attention. A lot of people talk about wage rates. When you hear wage rates quoted the figures may not include the total cost as to these figures. These figures include the overtime and shift premiums which we pay in the factories. We have taken all of these things and have added them up. All this is divided by the number of hours worked in the course of a year in order to get these figures. There is the matter of vacation pay. After twenty-five years service we give a man four weeks paid vacation at these rates. There are eight holidays a year. At our works in Hamilton we could have a man off one-twelfth of the time at full pay on vacation. They can be off another eight days a year and we have to pay them for that. I am not complaining; I am just telling you gentlemen the straight facts of life. In order to keep the record straight, I think you should know them. There is group insurance, hospital insurance, unemployment insurance, supplemental unemployment benefits. What is this amount here?

Mr. C. C. BRANNAN (*Vice-President, International Harvester Company of Canada, Ltd.*): It is 5 cents an hour per employee.

Mr. VOSS: Yes, 5 cents an hour per employee. You see, gentlemen; it all adds up. You have 3,000 employees. Then, there is workmen's compensation, pension plan and, under Ontario law, jury duty. We pay that, and it goes into our costs. Then, there are items of union expenses, and we pay that as well.

Mr. MANDZIUK: What is jury duty?

Mr. VOSS: Well, if a man is called for jury duty, I believe we pay his salary. Is that not correct, Mr. Brannan?

Mr. BRANNAN: Yes.

Mr. VOSS: That also is something which goes into what we have added together before dividing by the number of hours.

Mr. FORBES: Does your employee get paid as a juror in addition to that?

Mr. VOSS: I believe he does.

Mr. FORBES: He receives that as extra pay?

Mr. VOSS: Yes.

Mr. MUIR (*Lisgar*): Do you have a comparative chart as well for salaried people?

Mr. VOSS: If you would make a note of that, Mr. Muir, and ask me later on, I will dig that out for you.

I know you gentlemen have a lot of questions. I am not trying to dodge any of them, because if you have an answer to this problem, I will be glad to listen to it; in fact, I will listen to you for a week, if you can solve this problem for us. I am a farm boy myself. I know how to slop hogs and milk cows, and I know what you people are up against. All of these things enter into our wage costs.

In connection with this little 8 cents an hour, you can say, "Well, thunder, that is not much money." It is not. It sounds pretty innocent. But, this is one of those automatic things. Perhaps our own people, when under pressure, agreed to it and felt it was an innocent little thing. But let us see how innocent an 8 cent per hour increase is.

Eight cents an hour on the basis of a 40-hour week is \$3.20 a week. That is the increased cost per employee. Now, I have been too busy trying to figure out what figures you gentlemen wanted, and I do not really know the exact number of employees affected. However, assuming that 2,500 of the wage earners in our Hamilton works were affected by this \$3.20 per week, that

would cost us \$8,000 more a week. Is that not right? Then, taking roughly 50 weeks for the year, it would be \$400,000 a year that our costs went up. As I say, gentlemen, that is \$400,000 per year.

Later, we will show you our annual report; take a look at it, and see how much \$400,000 represents in terms of our net profit.

One of our biggest problems today—and I will be frank with you gentlemen—is, what are we going to do about this \$400,000? Did our productivity go up that much overnight? I do not have to tell you that it did not.

So, gentlemen, while you are putting me through the paces, and I know you are going to do that—I know you will, and I am going to cooperate to the best of my ability—I hope you will bear in mind this extra \$400,000 about which I am worried. I think you are worried about it, too. You are all reasonable people; you are sitting on a farm committee, and you naturally are interested in the Canadian industry, as I am, myself. I am just as interested in farming as you are. It is a mutual problem and we have to approach it as such.

Our Hamilton farm equipment works wage rates are among the highest in Canada. We are next door to the Steel Company of Canada. Hamilton is a steel city, and I think it is public knowledge that steel labour rates are higher than the normal rate in many other industries.

Now, there is one thing on which I probably will be quoted, and misquoted in connection with what I have just said here. However, for the record—if there are any press in attendance—there is one thing that I hope you will put down that Voss did say.

I am not taking off on our employees at Hamilton. I think just as much of our factory employees at our Hamilton works as anyone else in the world does of their own factory people. I am not saying that they are a dull lot and won't work; I think they are working just as hard as their neighbours are in other industries. So, when I talk about our rates of pay or our productivity at our Hamilton works, I do not want anyone to suggest to our people in our factories that the president of the company has made a statement that they are not pulling their weight, and that they are making too much money. I think, in terms of what wages are paid locally, and the productivity locally, that our people would compare with the best of them. I am standing behind them 100 per cent, and I am going to defend them.

Gentlemen, let us keep this in the right context. I am not begrudging these people their proper wage, and we are not trying to run away from our responsibilities. Let us say, for the purpose of our discussion, that according to International Harvester's records—and our comptroller would swear to the truth of them—our wage costs since 1949 have doubled. According to our index, our prices went up to 54.1 per cent.

I will now turn to the next page—but let us keep in mind that our wages doubled—and we will talk about productivity. This is a very interesting subject. Let us revert to our brief.

While many industries have been able to achieve sizeable increases in productivity in the period under review, through mechanization and extensive introduction of labour-saving equipment, the nature and volume of our production has not enabled our Hamilton farm equipment works to attain any significant increase in productivity per man hour. We manufacture a large number of machines which are made in a variety of models and with special features for many types of farming conditions encountered in North America. You probably wonder why. I can assure you, gentlemen, that we do not like to put them into production as much as some of you might think. One thing, that is pretty hard to get from us, is a change of model or the

incorporation of special features. However, if the farmer says he has to have this and that, and demands it, well, we have to sell machines and we usually put them in to accommodate him.

In addition, we manufacture large quantities of service parts in comparatively small production runs. While we have achieved minor increases in productivity through the purchase of modern machine tools, and through reorganization of our manufacturing operations—even in building this fancy new building which we are putting up in Hamilton; and I should say it is fancy only in the sense that it is large—the effective productivity increase has been slight in relation to our over-all labour costs.

At this time I would like to discuss with you in some further detail this matter of productivity. Productivity is a difficult thing to measure, and I do not know of anyone in the world who has an answer to the measurement of it. I have talked to our people south of the border, and I have talked to large manufacturers south of the border, as well as Canadian manufacturers. They have not a real measure of it, either.

Gentlemen, you can be sure that we have done our utmost in the Hamilton works to increase productivity, but, for reasons suggested in the brief, the farm equipment industry is not conducive to a high degree of mechanization and automation. To a small extent we have been able to improve our efficiency through plant reorganization, new methods, better procedures labour-saving facilities, data-processing equipment, and electronic devices. Where we have purchased new machine tools—which you do not do every day in a small-volume industry like this—we have in all cases bought machine tools with faster speeds, and so forth—at least we have checked the economic of buying them in order to justify their cost, in an attempt to get more output per hour dollar of labour cost. We are hopeful that our new building at the Hamilton works, which is all on the floor, will give us some increase in our productivity. That is why I said that although many industries have been able to achieve sizeable increases in productivity during the period under review, through mechanization and extensive introduction of labour-saving equipment, the nature and volume of our production has not enabled our Hamilton farm equipment works to attain any significant increase in productivity per man hour. Generally speaking, our quantities of machines are low. The varieties are great, but our production schedule on components is too low to justify the high capital cost of high-volume mechanization.

As you know, the number of farms in Canada has decreased, and the number of machines used on these farms, therefore, has declined. These machines have become larger, can do more work, and therefore there are fewer of them. Also, they last longer. It is a vicious circle. All these factors add up to smaller production runs. There is only one section in our Hamilton farm equipment works where we have quantities sufficient to get up to any sizeable degree of mechanization, and that is in our disc blade department, where we turn these blades out by the thousands. However, that is only a small portion of our works, and it is peanuts compared to the over-all picture.

To really increase productivity, in terms of what you people think about, and what people normally think about when talking about it, you have to think in terms of batteries of transfer machines and pushbutton controls. We do not have a semblance of a transfer machine in our Hamilton works, and I cannot foresee production increasing to the point where they can be installed. We cannot automate like the manufacturers of steel, automobiles, and so forth. We have machine-tool suppliers from all over the world in our factory every day of the week and we lay our problems before them. We say to them: "Here is our job, the piece of equipment we are going to make". We are going through

this daily. Dozens of people are working on this all the time, but you must have some volume of production if you are going to get the benefits of automation—high productivity.

Our labour rates have increased, just like they have in the automated industries, but we have not been able to increase our productivity like they have. You do not set up automation to do five hundred of this, four hundred of that and seven hundred and fifty of something else. You cannot automate the baler assembly line. But, in so far as the efficiency of the individual worker is concerned, our productivity standards are still established practically the same as they were in 1949. In other words, where we are making a part and the part is the same as it was in 1949—one or two of our machines have not changed much—with the same men doing the same work in the same way, so far as we are concerned the amount of labour in it would not have changed and, if all those factors were considered, if they were constant, then it would be safe to say our labour cost has doubled. There are no two ways about it.

I do not think people in 1961 are working as hard as they did in 1949. We are all human, we have got to face it. 1961 is the day of convenience, a day when you cannot expect people to give more. To expect more painful physical effort is a thing of the past, whether you like it or not. I am not arguing with the trend, as I like convenience the same as you men and everyone else does. I do not think our people are working any harder today than they did in 1949, and I do not think some of your hired men are putting out more physical work in 1961. Our people in this factory are humans just like your own hired help.

Now, gentlemen, there is no exact method of measuring productivity known to us. People in the automotive industry will frequently measure their productivity in terms of units per worker. They say: "It takes so many man hours to make a car. Now, ten years ago it was so many additional man hours". But, if you manufacture farm equipment you measure your output, because of the variety of the machines, in terms of tons rather than in terms of units, and in one of the production charts which I have here you will see factory shipments measured in tons of output. This will probably give you a clue as to how you can measure productivity to some extent. What we have done is we have taken our annual shipments of factory production from our Hamilton works and divided them by the average number of wage earners employed in our works, for each year from 1954 to 1960.

I can say that we thought a long time before we decided we would publicly give you this information because it has to do with the efficiency of our business and we were anxious about this, for reasons you can well appreciate. These figures can be misunderstood, and that is another reason we thought long about it before finally deciding to show them to you, as we are doing now.

This chart tells the number of tons of products we shipped out of our Hamilton works per hourly-paid wage earner per year. So, let us have the sad story.

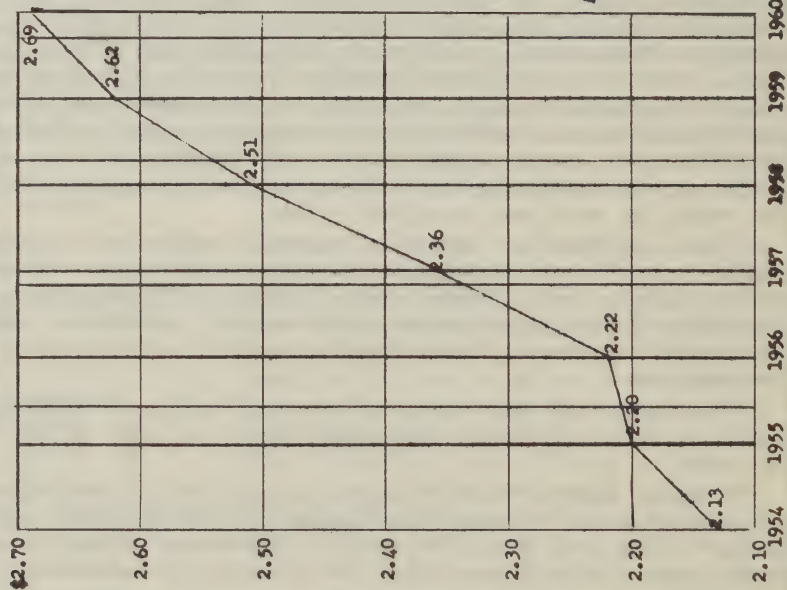
I cannot quarrel with the figures. I am sure they are right. I had the comptroller of the company, the auditor of manufacturing and the works auditor in my office before the chart was prepared. "Look" I said, "we are leading with our chin. These have got to be right". They said they were.

Here is our wage spiral, the same as what you saw previously. It shows wages from 1954 through 1960, increasing from \$2.13 to \$2.69. Do not keep the figures in your minds; but look how they jump. These figures include, the same as they did on other charts, fringe benefits; and on, chart No. 2, factory shipments in tons per year, per hourly-paid and piecework employee.

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED
HAMILTON FARM EQUIPMENT WORKS

CHART 1

AVERAGE HOURLY LABOUR COST *
FOR HOURLY PAID AND PIECE WORK EMPLOYEES

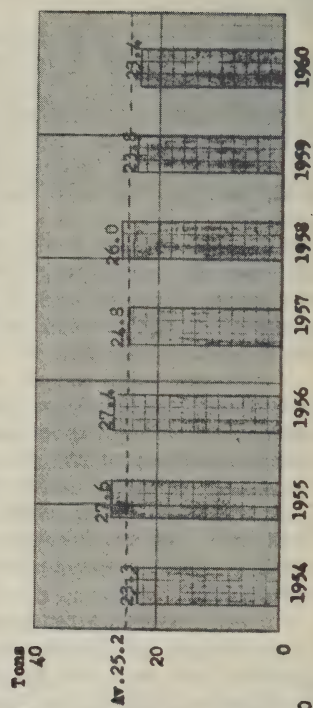


* Average Hourly Labour Cost Includes:

Overtime and Shift Premiums
Vacation and Holiday Pay
Group Insurance
Unemployment Insurance
Hospital Insurance
Supp. Unemployment Benefits
Workmen's Compensation
Pension Plan
Jury Duty
Union Expense

CHART 2

FACTORY SHIPMENTS (IN TONS PER YEAR)
PER HOURLY PAID AND PIECE WORK EMPLOYEE



I believe, Mr. Horner, you brought this up a couple of weeks ago. I probably got the idea from you and Mr. Brannan developed the thought. He is a good practical farm boy from Manitoba. He said: "That is probably what they want".

The chart shows 1954, 23.3 tons per year per hourly-paid and piecework employee; 1955, 27.6; 1956, 27.4; 1957, 24.8; 1958, 26.0; 1959, 23.8 and 1960, 23.4. The average for the seven year period is 25.2 tons per hourly-paid and piecework employee.

I am not saying for a minute you want to take this 1954 figure and compare it with this 1955 figure here. The machines made in one year are not exactly like the machines made in other years. The changes have been progressive.

This chart is important from the standpoint of trend, so look at this rather in terms of averages. Forget the high and the low. Just look at the averages. In 1959 and 1960 you see the output is down to 23.8 and 23.4. What I am saying is that, compared with this labor rate chart, this output has remained so constant that I do not care whether you say productivity has gone up 10 per cent, 12 per cent, 15 per cent, or what. The improvement in output is nothing in relation to this labour cost chart.

You may draw your own conclusions from these figures. They are correct and I hope you realize that releasing them does act to our detriment. I am not proud of them. I am not condemning our factory workers for them, but I often wonder, "Is this the very best we can do?" We are working on this problem every day. Gentlemen, I am worried about this, just like you are.

Now, there is one thing you can say about this chart or anything like this. As I told you, the machines change and the first thing someone will point out and say is: "But, in 1960, the machines turned out were lighter in weight, and therefore the tons per worker would go down."

I would answer that in this way. Self-propelled combines and other machines being made in 1960 do have more precision components than those made in 1954 but, I would point out that we do not make engines in Hamilton, or hydraulic pumps and valves and that sort of thing. So, we are getting more of these precision components from the outside, which would give us a higher tonnage per year; and our employees do not have to put any labour into them at all. We have actually been buying more and more of these material components, as you will see from some figures which you will get later. You can analyze the figures and try to see where productivity has dropped five per cent, and where it has gone up 10 per cent and 12 per cent, but do not think of it in those terms. Think of it generally. Keep this average figure in mind. Look at it and see what the trend is.

Mr. HORNER (*Acadia*): Will that chart be printed?

Mr. VOSS: Yes. These things have been made up and they are not in the brief because, as I told you previously, when the brief was prepared we did not know exactly what you were after. Having attended a previous meeting, however, this is really what we thought you were driving at.

Now, in addition, we have a further chart which deals with specific sections of our works where production is ordinarily gauged in term of tons, rather than in terms of units, and it deals with our foundries.

This chart will show the weight of good castings produced per man hour, first in our grey iron foundry and, secondly, in our malleable iron foundry, for the period 1949 to 1960.

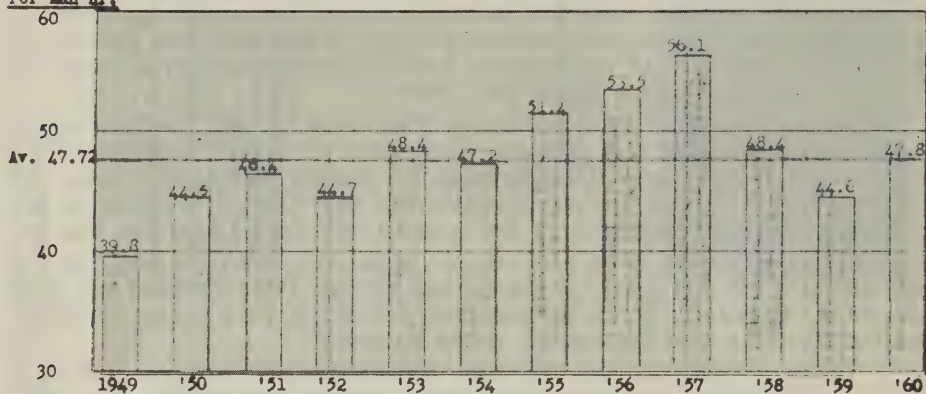
The foundries always measure their output in terms of pounds per worker.

Here again there is some room for argument because the size of castings can

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITEDHAMILTON FARM EQUIPMENT WORKSFOUNDRY PRODUCTION

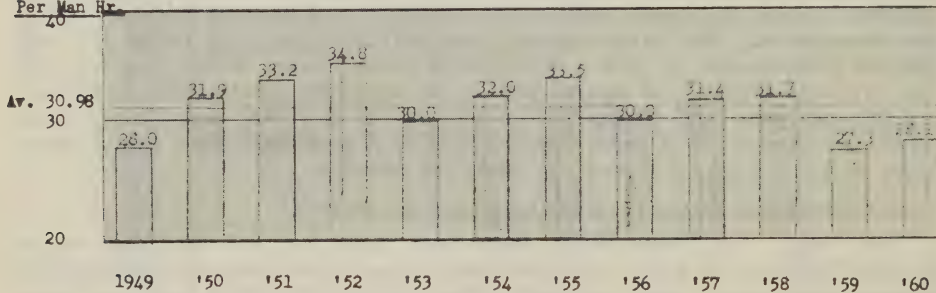
Pounds of
Good Castgs.
Per Man Hr.

GREY IRON FOUNDRY



Pounds of
Good Castgs.
Per Man Hr.

MALLEABLE IRON FOUNDRY



vary from year to year, and it would be wrong to analyze this chart in terms of what happens from one year to the next; but I do suggest it is indicative of trends and has a significance from an average standpoint.

Here is the grey iron foundry from 1949 to 1960, and this represents the pounds of good castings per man hour. If your efficiency were down, if you had men inexperienced in the work, then the percentage of good castings would probably drop. But again I say this only points to trends. In 1949 it was 39.8; 1950, 44.5; 1951, 40.4; 1952, 44.7; 1953, 48.4; 1954, 47.2; 1955, 51.4; 1956, 53.5; 1957, 56.1; 1958, 48.4; 1959, 44.6; and 1960, 47.8.

I will tell you something interesting about these figures. It will surprise you to know that 1957 was the year when we had our lowest tonnage during this period. What happened there was that we had to lay off short-service employees, and got right back to the good old hard core of experienced foundry workers. The experienced foundry worker can make a higher percentage of good castings. He is experienced and he puts out more, so our efficiency went up higher; but here in 1958, the tonnage started going up. We hired more men off the street, less experienced men, and efficiency dropped. Tonnage went up here in 1958 and output dropped again. In 1960 tonnage about stayed constant with 1959 but efficiency went up because these people were getting more efficient.

I did not put the tonnage under the years because I did not want to disclose them publicly. Of course, if you want to see any one of them I shall let you see them.

That is the grey iron foundry where the average is 47.72 pounds of good castings per man hour, but the labor cost of the man hours have doubled and output has not.

Could you men in all sincerity look at that chart and say the Harvester grey iron foundry productivity has increased substantially? No, you could not. No one could. We have not been able to mechanize that foundry.

Mr. HORNER (*Acadia*): You have a very different average for the other one?

Mr. Voss: Mr. Horner, here is the malleable iron foundry chart: This average is down to 30.98 and the figures are as follows: 1949, 28.0; 1950, 31.9; 1951, 33.2; 1952, 34.8; 1953, 30.0; 1954, 32.0; 1955, 33.5; 1956, 30.0; 1957, 31.4; 1958, 31.7; 1959, 27.3; and 1960, 28.1 This 1960 level will start creeping up again, but it is a lot like the old business cycle; it goes up and down but the average here, gentlemen, is 30.98. Someone can say the productivity has dropped ten per cent and I would not quarrel with that. I would agree with them here. I do know the weight of the castings has varied; but there is not much you can put your finger on for an increase in productivity.

I am not proud of these figures but I think our people have done the best they can. They are working on this job every day.

We thought of one other way that we might be able to try to measure productivity. We thought that perhaps if we could take the percentage increase in our labour cost from 1954 to 1960 and compare that with the percentage of increase in our factory wages per ton of product shipped that it might tell us something. You can see, going from 2.13 to 2.69, that our labour cost is up 26.3 per cent. Our factory wages per ton shipped in 1960 were only 24.2 per cent up over the wages per ton shipped in 1954. Do you follow me? Cost of labour went up twenty-six per cent. The cost to us in factory wages per ton shipped only went up twenty-four per cent. So you might say that the difference between these was an increase in productivity. The difference there is the difference between 24.2 and 26.3. You might say that it has gone up eight or nine per cent, whatever the figures are, but there has been small increase in productivity there.

Those are the only three measures I have been able to put my fingers on. Of course, if there is any other way, I would be happy to have you tell me individually after we are through, because I am looking for the answer just like you are.

Two days ago, knowing we were coming up here, I called together the works manager of farm equipment, the works assistant, all the departmental heads, the industrial relations manager, the head of the planning department, the mechanical engineer and the men in charge of the machine repair and tool rooms. I told them that I would be going to Ottawa where I would be making some statements on productivity. I showed them these figures and asked them in their opinion what the increase in productivity was. They said they were disappointed to say that it has been very minor. They pointed out they bought this or that machine tool with electronic controls, automatic feeds, and so on. They say we have lost some of what we had gained because of certain labour practices over which we have no control.

In our industry here is one of the things which hurts us the most. I am not criticizing, but it is a fact of life. I do not say it is good or bad. This is what these men said, and I think it is true. They say it is a result of the plant-wide seniority which we have and the bumping which is involved when we have a lay-off. While we have done our utmost to schedule our production so that we eliminate peaks and valleys and can keep a constant labour force in our factories, we can never do this completely successfully. We have been much more successful in the last few years than we were a few years back when every summer we had plant shutdowns—that was typical of the industry. We are making more machines out of season so that we can keep this level of employment constant. We cannot, however, completely avoid some lay-offs because our business is seasonal. It is dependent on crop conditions and weather conditions just like it is in respect of the farmers. For some reason or other seeding may be late as it is very frequently. The farmers wait until the last minute, and then they are not as likely to buy grain drills from us. The same thing applies in respect of combines. Once we see that we have built more combines than we can expect to sell we have no alternative but to stop production. We cannot get away from that. We do have these lay-offs and they cannot be avoided.

What these men told me is this. Let us say we lay off fifty people out of thirty-five hundred. It may dislocate one-hundred and fifty people from their jobs. Suppose we laid off, for example, ten men in the foundry or in the press shop; this might result in laying off ten men from our combine assembly line and replacing them with ten men from the foundry or press shop who have never seen a combine. These would be men who would have the right to qualify for that job. They have five days in which to qualify for it. I am using a layman's example here. Let us say you have had ten men on your combine assembly line. Their base rate of output is one-hundred per cent, but these men really know their jobs; there is no lost motion and they are actually putting out one-hundred and twenty-five per cent. They are on a piece-rate basis. Bang! We do something which results in the dislocation of these people. They are low in seniority and so they go out the door. Then we have new people coming on. Our labour relations man tells me that for the first day you can expect the efficiency to be forty per cent and maybe the next day fifty or sixty per cent. The man has five days to qualify and get up to one-hundred per cent—not one-hundred and twenty-five per cent where it was previously. If the man does not succeed, somebody else has a chance to step in if he thinks he can qualify. What happens? Can we ship Mr. Horner a combine with people who are not thoroughly experienced, and take a chance? No. The cost is not only in this loss of productivity; it is in the fact that we may have to put on one-hundred per cent inspection. We have to take managerial people and put them out here for close supervision.

I am not complaining about this practice; it must be good—we have it. There is apparently nothing we or you can do about it. It is here; it is a fact of life. However, this affects us much more than someone else who is highly mechanized. I have been in many of our works which are highly automated. You just press a button and the part comes out practically finished. That is a different proposition than putting farm machinery together or moulding in a foundry. Things like this have affected our efficiency. This has outweighed some of our gains. These things I have spoken about are becoming more difficult every day.

Well, gentlemen, there we are. I certainly am not anti-labour, and I do not want to be construed as such. I have spoken to you frankly. You may have gathered from my remarks that I am very critical; I am not. Our factory employees are very cooperative people at Hamilton and they are conscious of this problem and want to do their best too, I must tell you, however, after looking at these figures, assuming this is the major yardstick we have to measure success from, that I cannot put my finger on anything which would indicate that we have gone up in productivity anywhere near in line with our increase in wages, which has doubled.

We recognize an obligation to three types of people, and have to be fair to all three. In the interests of all three groups, I think we have every reason to be concerned. These are the shareholders, our customers and our employees. I am very concerned about this problem in the interests of all three groups, because my question is, where does it end; is there ever to be an end to it? Whenever increases in wages, salaries and standard of living are not offset by increases in productivity, costs and prices go up and you cannot avoid it. It is as simple as that, and you cannot get away from it. If the things our customers have to sell do not increase in proportion to the prices of the goods they buy from us, all three are in trouble,—our shareholders, our customers and our employees. It applies to all three of us. So long as the customer's price of the things he has to sell keeps going up in line with these prices, everything is lovely. Automobiles go up in prices; every year salaries go up in price—fine, so long as they go up proportionately. The farmer's income has not risen substantially, if at all. It is constant and our prices go up. I am worried about it, and I am not going to try to hide it. It is my opinion also that this is the reason why we have lost most of our farm implement export market, outside of North America. We do an excellent job in the United States and North America, but outside of the United States, no. I told you we sold some of our small Canadian crawler tractors; that is in a different category. In the implement field we are priced out of the picture. We used to have quite a bit of it.

Thus far I have dealt with labour costs and productivity. Now I would like to get back on the brief to costs of materials. They also have gone up.

There is no accurate index of the costs of the materials we use, since today's products have markedly different components from those we were making in 1949. However, iron and steel are still the principal materials we use and there are figures available for these from the dominion bureau of statistics and from our own records. The dominion bureau of statistics whole-sale price index for iron and its products, based on 1935-39 = 100, was 175.5 in 1949, 255.7 in 1959 and an estimated 255.8 in 1960. This is an increase from 1949 to 1960 of 45.8 per cent.

You might make a note of that.

The index for rolling mill products was 160.5 in 1949, 249.2 in 1959 and an estimated 250.7 in 1960. This is an increase of 56.2 per cent between 1949 and 1960. Our own records show that our average cost per ton of rolling mill products in 1949 was \$94.01. In 1960 this average cost per ton was \$148.33, an increase of 57.8 per cent.

There have been a lot of other increases in materials. I have tried to get some information and I went to Mr. Walter Gayfer who is one of the best purchasing people in Canada—he is well experienced, has been around a long time and is a director of our company. I asked him to make up a general index to show you how other materials have gone up. We have been talking about steel; but what is happening to other things? He said he would do his best. Here is the list he gave me. It is an interdepartmental letter which I do not want to put on the record. It is dated May 10th, and reads as follows:

We are showing below a list of commodities used in large quantities at the Hamilton Farm Equipment Works and have outlined the percentages of increase in our costs between 1949 and 1960. In most of these items it is difficult, in fact almost impossible, to submit an average percentage of increase on any one commodity as these percentages vary considerably, so we have chosen representative examples.

I would like to read off a couple of these examples to you, both those that are favourable and those that are not.

Here are two favourable ones: We use pig iron quite a lot in the foundry, and that has gone up only 33.8 per cent, or one-third.

Coke has gone up 24.5 per cent, so that is up only a quarter, and that helps to absorb some of our labour figures.

Steel pipe has gone up 49.6 per cent for one size, 51.7 per cent for another size, 50 per cent for another size, and 53 per cent in another. So, you can see that steel pipe has gone up an average of roughly 52 per cent.

We use a great deal of seamless steel tubing. I cannot explain these figures, but they are taken from our records. The 2½ inch tubing has gone up 59.8 per cent, and the 1-7/16 inch tubing has gone 93.4 per cent. Those are the two sizes which we use predominantly.

Next are steel coil springs. As you know, we use a lot of them in the implement business. On one component, it has gone up 91.6 percent; two items have gone up 106 per cent; there is one that has gone up 50.8 per cent, and another that has gone up only 19.9 per cent.

Then, steel wheels for pneumatic tires, and we use a lot of those. They are a good, stable commodity. One size has gone up 34 per cent, and another one increased 62.9 per cent.

Here is one we use a lot of, as any of you who are farmers will know—it is malleable chain, and that has gone up 87.4 per cent. That really has jumped. Someone was concerned about chains the other day. Under steel sprocket chains, one item has gone up 54 per cent, another item 68 per cent, and another 134 per cent.

Then there is steel coil chain. One has gone up 88.4 per cent; another one 111 per cent, and another 157 per cent—and that is from 1949 to 1960.

Roller chain is next. One size has gone up 32.4 per cent, another 78.2 per cent, and another 97 per cent.

I have only one further item which he has given me here, and that is ball bearings. One of them has gone up only 17 per cent, another 28 per cent, another 41 per cent, and another 42.5 per cent. The reason I called this off to you is because this is probably the highest volume of material, other than steel, that we buy.

I want you to know that some of these have gone up as much as 157 per cent. The least any has gone up is 17 per cent, but that is just a small item.

Mr. MUIR (*Lisgar*): Do you buy those already made up?

Mr. Voss: Yes. We do not make ball bearings. All these are purchased complete. That is a specialty job, and practically all would be bought in Canada.

Mr. THOMAS: Mr. Chairman, may we have that report included in the minutes?

Mr. Voss: I think it will be in the record anyway. I have given you everything that is on it.

I would like to cut my letterhead off it, and give you just the figures. The portion which I wish to detach is just a letter addressed to me. Would you take that off? Gentlemen, we do not want this to become too informal. The following, therefore, is a list of commodities used in large quantities at the Hamilton Farm Equipment Works and have outlined the percentages of increase in our costs between 1949 and 1960. In most of these items it is difficult, in fact almost impossible, to submit an average percentage of increase on any one commodity as these percentages vary considerably, so we have chosen representative examples.

<i>Commodity</i>	<i>Percentage of Increase</i>
Pig Iron	33.8
Foundry Coke	24.5
Steel Pipe:	
1" Extra Heavy	49.6
1" Standard	51.7
1½" Extra Heavy	50
1½" Standard	53
Seamless Steel Tubing:	
2-5/8"	59.8
1-7/16"	93.4
Steel Coil Springs:	
1 Item	91.6
2 Items	106
1 Item	50.8
1 Item	19.9
Steel Wheels:	
1 Item	62.9
1 Item	34
Malleable Chain	87.4
Ball Bearings:	
1 Item	17
1 Item	42.5
1 Item	28
1 Item	41
Steel Sprocket Chain:	
1 Item	68
1 Item	54
1 Item	134
Steel Coil Chain:	
1 Item	157
1 Item	88.4
1 Item	111
Roller Chain:	
1 Item	32.4
1 Item	78.2
1 Item	97

The examples used for this study would be representative of all sizes and types of the commodities shown above used in the manufacture of our farm equipment.

W. R. Gayfer.

This is a letter addressed to me and if you could take the top off, it could be included.

The point is that I would sincerely have liked to get you a material cost index, but I just do not know how to make it up. Had our percentage of roller chain in these various sizes been constant through the years, we could have made up an index that would have meant something to you. But our usage of these things varies so much from one year to the next that it would be impossible. The only thing you can do is look at these various components and draw various conclusions. Have faith in our cost department, as I say sometimes.

In addition to increases in material and labour costs, there have been increases in taxation, in the cost of new buildings, machinery and equipment; in sales and promotion costs, and in research and development. The following examples are typical of the increases experienced. The first one sounds very interesting—taxation increases—perhaps we should call for an investigation. Seriously, gentlemen, this item—taxation increases—has gone up percentage-wise more than any cost, I believe, I can cite to you today. Listen to this:

At our Hamilton works farm implement manufacturing plant we have seen our real estate business taxes rise from \$89,865 in 1949 to \$331,147 in 1960, an increase of 268.5 per cent.

Mr. McINTOSH: Is there no expansion on this?

Mr. Voss: No, sir, exactly the same on these. The treasury department wanted to make sure that were were comparing exactly the same thing.

Mr. MONTGOMERY: That would be all local.

Mr. Voss: I am sure you gentlemen have no control over this one. Whether you do or not, you have influence. I presume the cost of government has gone up in line with our cost of labour, and so on. We are saying costs have gone up, so we cannot complain too much.

Our district sales office in Regina paid taxes of \$12,976 in 1949; by 1960, the tax bill was \$26,117, an increase of 101.3 per cent. Mr. Pascoe knows the building—it has not changed from 1949 to 1960.

Mr. McINTOSH: Saskatchewan is a little bit more considerate.

Mr. Voss: Yes, they have done pretty well because their tax increase has just been about the same as our labour increase—almost double. At Montreal we paid real estate and business taxes of \$11,965 in 1949 and \$26,415 in 1960, an increase of 120.8 per cent. These examples are typical—we have not just pulled some out of the air and given you some high-sounding principle. I do not think we ought to single out any particular city or area, because it is typical.

Research and development costs—in order to manufacture new products in Canada and improve existing ones, we have made very substantial investments in research and development. Exclusive of capital investment in research facilities, this expenditure amounted to 0.53 per cent of our total sales of farm equipment in 1949, including service parts. In 1960, this operating expenditure had risen to 2.95 per cent of farm equipment sales. The reason why it jumped so much is as follows: first of all, it is true that we have undertaken the development of machines like balers, combines and that sort of thing, on which you would have a higher percentage of research and development costs than you would on a tillage tool, I suppose. There is another big reason for it, because when your labour cost, as it was in 1949, was only \$1.35 an hour, you cannot spend as much money trying to refine the design down to save a little in weight or labour as you can when your labour cost has gone up to \$2.70. So we are doing a lot more testing to find out ways and means of making a machine just as strong as it was before, and still take out material, if you

like, or weight, or substitute material to keep these costs from skyrocketing in line with our labour cost. We have spent a lot of money doing it, but a lot of that has come back to us.

In addition to research and development costs, it is necessary to make heavy expenditures for tooling to manufacture the more complex farm machines, such as combines, windrowers and balers. However, these large expenditures are essential of we are to build machines which will give the farmer productive capacity greatly in excess of that of ten years ago.

Sales and promotion costs—sales and promotion cost increases are difficult to define, but as an example—you men know that we have got to advertise to sell our goods, otherwise we are in trouble. One way to get the message to the farmer is through advertising. Advertising costs have risen substantially over the period. In 1949 the cost of a black and white page of advertising in the seven principal farm publications was \$6,510, and the market numbered an estimated 650,000 farms; by 1959, this cost, in the same publications, was \$10,850, or an increase of 67 per cent to reach a market estimated at 550,000 farms; and in 1960, the cost was \$11,102, an increase of 71 per cent over 1949, to reach a still smaller number of farms—547,000.

As a result of these increases in advertising costs, we have found it necessary to curtail our advertising programs to what we consider the minimum. Although industry in general has found it expedient to use radio and T.V. advertising to promote the sale of its products, we have not felt that we could afford the cost of these media. I believe a few of our dealers in some areas may have got together and had radio programs of some type, or maybe even a television spot, but we as a company have not felt we could afford them and we have not gone into it. It has been proposed several times—I do not mind telling you—and we have investigated it carefully. To date we have not done it.

I think I can wind up the prices end of this, Mr. Chairman, by 11 o'clock.

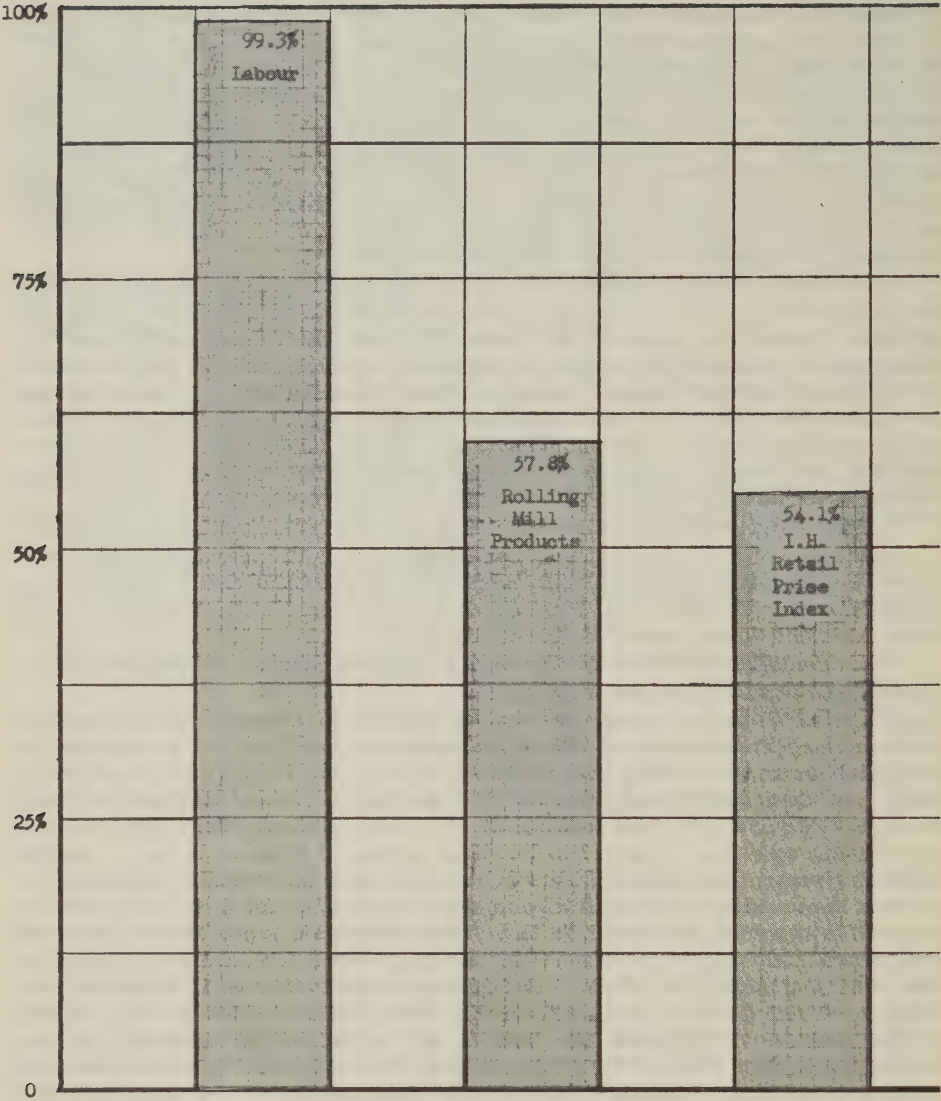
Retail prices in line with costs—we submit that with increases of this order in our labour costs, material costs, sales and promotional costs, taxation and research and development, an increase of 54.1 per cent in our suggested retail prices over the same period is not out of line.

Now, gentlemen, I think that is a good breaking point, but before we leave I would like to show you one more chart.

This chart is just a summation of what I have said. It shows the relationship between the increases in cost of the two largest ingredients of our product—cost of labour and steel have gone up 99.3 per cent and 57.8 per cent respectively versus our own retail price index of 54.1 per cent. I would like you to keep this chart foremost in your mind while you are levelling your guns at me. I would just like you to keep this in mind because I think it is really appropriate. I have got to keep it in my mind—you men know that. This thing is going to continue to go up. If this, plus other materials which we have to buy, go up; if you would be so kind as to tell me how this is going to stay there or come down, I would like to know. That is my problem. I submit to you, gentlemen, that our industry is indeed fortunate—our customer is very fortunate. Our prices have not gone up in line with our costs and our profit position shows it. The squeeze in this case has been on us, as far as the company is concerned. Here is the crux of the problem, and I think this is a problem that you men want to study. I think it is contained in this chart. I do not think you have to be a magician to figure out why farm machinery prices have gone up. Whenever labour costs and material are so far ahead of productivity, prices go up and they are going to go up some more, I am afraid. I am not too sure that the public in general is of a mind to apply the brakes. We have resisted many labor demands. We have been threatened with strikes when they have come up. We have done our best along this line. We have suffered

INTERNATIONAL HARVESTER CO. OF CANADA, LIMITED

I.H. Labour and Steel Cost Increases vs. I.H. Retail Price Index
1949 - 1960 Inc.



strikes—long and hard ones. I am not condemning labour for what they have got out of this, but I do not think we have given any more than we needed to, or should have, considering our industry and our local conditions.

Well, gentlemen, that concludes price presentation as far as material and labour costs are concerned. We have quite a bit more to cover in our brief, but this is a natural breaking point and the chart will stay up here. We will give you copies of them. Thank you, Mr. Chairman.

The CHAIRMAN: We will meet again this afternoon in this room at 2.30.

AFTERNOON SITTING

FRIDAY, May 12, 1961.

The CHAIRMAN: Gentlemen, I believe we have a quorum this afternoon. At the time of adjournment Mr. Voss had finished page 10 of the brief and was starting at the top of page 11. We will ask you, Mr. Voss, to continue.

Mr. Voss: Thank you, sir.

Well now, it is good afternoon, gentlemen. We are on page 11. I do not think I will hold you so long this afternoon as I did this morning. We have some very important points, however, and there will be some more verbal commentaries which I would like to make to you.

At page 11 we had just talked about the fact that our retail price index was up 54.1 per cent, that we had had substantial increases in labour costs and that material costs had gone up and so on. A large part of this increase inevitably would have occurred even if there had been no improvement in product quality and in its performance on the farm. We will show later in the brief that product improvements over the last decade have been very substantial. Had we not been successful in developing product improvements, the farmers' problem would have been further aggravated. That is quite obvious.

There are some factors peculiar to the agricultural industry which radically influence the production, pricing and marketing of our products.

There is scarcely a farm machine we manufacture that is not used seasonally. Farmers have traditionally deferred buying decisions until shortly before the season of use. If the prospects of the crop for which the machine is needed are not good, the farmer's buying will be deferred and the demand for the machine may dry up in a very short period of time.

These seasonal machines—and they are many in number and their seasons of use occur at different times—must be manufactured and in the dealer's hands ready for delivery before the season of use. Production must commence many months ahead, because it is impossible to manufacture all the machine required in a short period of time. Furthermore, production of the various machines must be staggered in order to provide steady employment in our factories. We feel a very strong obligation in this regard to maintain as steady employment in our factory as we can, despite the fact that we are in a seasonal business. Thus, we must schedule production for our seasonal machines, commit ourselves to purchase material and components, and publish a price, long before the principal demand arises. As production progresses, the estimated demand is reviewed, and to some extent production schedules may be revised accordingly. But this becomes more difficult and expensive to do as production progresses. Here our situation is similar to that of the farmer. Once the farmer's crop is started, it ripens regardless of the demand for his product at the selling season.

The manufacturer has few alternatives available to him if he comes to the conclusion that demand is declining. Within limits, and depending on the

stage that has been reached, production schedules can be reduced—but, as pointed out, this becomes increasingly difficult and costly as production progresses.

As you know, seeding has not started out in the west. However, our grain drills have been out west for a long time. They have had to be. We could not wait and keep them here in the east until we saw what quantity of grain was going to be seeded out west, how soon, and so forth. That will illustrate to you the point we are making.

Likewise, if production costs are rising, we may, also within limits, raise the price. This alternative, however, cannot be used arbitrarily. We cannot long be out of line in price or quality compared to our competitors and still hope to sell our products and retain the goodwill of our farm customers over the long term.

To a greater degree than in most other industries, we are all competing for a long-range goodwill of the farmer, and that provides a powerful incentive to give the lowest possible price, the best service and the highest quality product.

Since we are in the same position as the farmer, in that the demand for many of our products is tied to crop and weather conditions, it is impossible to accurately estimate demand in advance of the season of use. Accordingly, it is necessary, in many seasons, to carry large quantities of equipment over to the succeeding season. This is particularly true of hay harvesting, grain harvesting and tillage tools. We have a substantial investment in these goods, and once the season of use is past, we cannot get our money back for many months. To a greater degree than most other industries, we have money tied up in finished goods for long periods of time.

A little later on we will start talking about service parts and inventories. The same principle applies. I want to discuss how high this cost of inventory actually is; but, with your permission, I will defer that until we get to service parts.

I think you men might like to know what we have done in the way of providing facilities in Canada to take care of the west.

We have a large warehouse at Fort William, and a big transfer stock location at Transcona just outside of Winnipeg. We have had this big warehouse at Fort William for years. Normally, what we do in the late fall is build goods at Hamilton, ship them by water to Fort William where they will be stored for most of the winter, and then, in the late winter months or early spring months, we will receive certain goods which we did not manufacture in Canada, but which came from the United States factories, and they will come up and be off-loaded at Transcona. So, if a dealer here wants a carload of equipment, some will come from the United States; some will come from Hamilton, and perhaps a part of it will come from our twine mill which is also in Hamilton. We would start a car—or, perhaps a half-car—here at Fort William. It would stop in transit here, and be filled up with machines which may have come from the United States factory, and then it would go through. In that way we can take advantage of storage in transit, and our transportation costs will be at the lowest possible level. We have an investment at Transcona in facilities, and we find this helpful in transporting goods toward the west because transportation cost is quite an item.

In our business we normally deal only with our factory cost. The transportation costs in getting the goods from the factory to the customer are added in, by the dealer, and we pay the freight and charge it to the dealer. For your information, we do not make a dime on this freight. There is no profit on it at all, as far as our end is concerned, and our records are not set up to show a profit. Is that not correct?

Mr. W. B. GAY (*Vice President and Comptroller, International Harvester of Canada, Ltd.*): That is right.

Mr. VOSS: We pass the freight charge on to the customer through the dealer.

However, the point I wanted to make, is that as far as Fort William is concerned, these machines are tied up in inventory for a long time before being shipped on to our dealers, and we have to do that to take advantage of water rates to Fort William.

Competition in the farm machinery industry is keen with respect to price, capacity, performance and quality of product, service, and sales promotion activity. For instance, there are no fewer than nine companies in Canada marketing a full line of farm tractors and implements. In addition, there are numerous companies marketing partial lines providing aggressive competition on the particular machines they handle.

Our dealers are, in addition, in direct competition with other dealers in their locality; and this competition involves not only our dealers' retail prices, but the individual dealer's ability to get a fair price on a trade-in, his ability to provide reliable service when and where needed, and also his reputation as an authority on the proper application of farm machinery to local conditions.

We have a tremendous amount of competition among dealers, and those of you who are farmers do not need to have me tell you more on that score. None of you could seriously feel, if you have been out buying farm machinery, that there is not competition among dealers.

Besides all this, there is stiff competition with the substantial amount of good used machinery that is available, both from Canadian sources and from the United States.

I understood you already have heard from the dealer associations. Our dealers are also feeling the effects of the cost price squeeze.

In order for a dealer to furnish proper service, a considerable investment in facilities is required. Because of this cost-price squeeze, it is becoming more and more difficult to obtain dealers with the necessary capital to provide these facilities. To our knowledge, this problem is common to the industry at large. I was talking to Mr. McIntosh during lunchtime, and, I understand, he is on the tariff committee.

Mr. MCINTOSH: No; we have been having problems with the tariff board.

Mr. VOSS: Mr. McIntosh could verify that there are no tariffs on farm tractors or implements coming in from any foreign country.

Mr. MCINTOSH: To clarify this, I did not say "implements", because they have not given me a definition of the term, yet. I wonder if you could give it to me.

Mr. VOSS: I wish I could. We are exposed to competition from all countries in the world. The fact that, outside of a quantity of smaller tractors from Great Britain and France, and perhaps I should say possibly a few from Germany, very little European manufactured equipment is offered for sale in this country, indicates that it is not a fertile field for profitable sales by overseas competition. We think this is an important point for the consideration of the committee.

The lack of European competition in spite of their substantially lower labour rates is probably due to three factors:

1. The extremely competitive nature of the industry.
2. The cost of setting up and maintaining the necessary service and parts facilities,—

and, gentlemen, we have a tremendous investment throughout Canada in service and parts facilities.

3. The low profit margins existing under present conditions.

Our company has always felt an obligation to our customers to provide spare parts for the normal life expectancy of any machine we sell. This requires that we hold our patterns and tooling equipment available for many years and that we also stock the finished parts themselves as a protection to the farmer. The over-all turnover of spare parts in our industry is exceptionally low and it can be readily understood that this is a factor which has a substantial effect on our costs as a result of the money tied up in inventory and in storage facilities for many years.

I should like to make a further comment on that. We have said and showed you that it costs a lot of money to keep a part in inventory for a year. I really would like to know what it does cost, but I do not know for sure. However, there is a general rule which industry in general has accepted over a period of many years. You frequently hear it said that it costs a minimum of 15 per cent to inventory parts, 15 per cent of the cost of the part, of the cost of the machine, or most anything. I would say that is probably a minimum. It costs you 6 or 7 per cent for interest. You know that. It will cost you money to provide storage and you must have a roof over the top of it. It also costs money to heat the building so that employees can stay in it during the course of the year. When you figure out the cost of the janitor, the cost of a stock control system to keep track of parts and the cost of a lot of many other fees and salaries, which are as high as they are today, and you have to reckon with taxes and insurance, you must consider that 15 per cent per annum on your cost is an absolute minimum. I think many people would consider it should be a higher figure.

Let us be very conservative and say, for the purposes of this examination, it costs 15 per cent to have an item in inventory. Gentlemen, this means that if you have a part on hand for three years, a part which cost you \$10 to make, then within three years you have an investment of \$14.50, do you not? That is a very big item. It is one that costs us a lot of money.

People normally figure that they have done a pretty good job in estimating demand for farm equipment parts if they have a turnover of one time; I doubt if you have many people who would have a turnover of one and a half times or even two times. That is pretty high when you figure the hundreds of parts you have to keep. When you are talking about parts margin, one thing you must keep in mind is that before you make any kind of profit you have to have 15 per cent for the cost of inventory, if you have only turned over your inventory once. It is a very important factor.

Dealing with service parts competition, a lot of you men, particularly some of you who have not been using spare parts, probably feel we have a big captive market and that, in actual fact, we have no competition in spare parts. That is quite untrue.

Severe competition exists for many of the spare parts for our equipment which are generally referred to in the trade as "fast-moving" parts. Parts in this general category are manufactured to fit our machines by firms who specialize in this type of business, but who do not make complete machines. These parts are available from Canadian, American and overseas sources. Such "will fit" parts are sold by parts distributors and mail-order houses. Examples of these are tractor engine parts such as pistons, sleeves, piston rings, valves, bearings, V-belts, etc. There are also parts for implements in this category such as plow shares, cultivator shovels, mower guards and knife sections, harrow teeth, disk blades, and so forth. These "fast-moving" parts would cover a sizeable portion of the farmer's spare parts purchases and as a result, we do have many competitors in the spare parts field.

We thought quite hard before we decided we should disclose this next figure, but we thought in all fairness to help see the picture we should, and

we have. 85 per cent of our farm equipment parts sales are derived from 15 per cent of our part numbers. That is 85 per cent of the dollar volume, and it is derived from only 15 per cent of the part numbers we stock. Isn't that something? We get 85 per cent of our total sales from only 15 per cent of the numbers we carry in stock. It gives you an idea. In that way I can show you that on the items where we do have a high turnover, where we get a two, three, four, five or six times turnover, we have a lot of competition on those items pricewise. It is no captive market. On these small volume items, the main frame you farmers would expect us to have on hand, we might only sell one in three years and it costs us 15 per cent a year to maintain it in our inventory. So the parts business is not all as lucrative from our standpoint or from the dealers' standpoint as you sometimes feel it is.

We have, of course, as we mentioned before, a general responsibility to provide spare parts for the normal life expectancy of the machine. As I said, 85% of our farm equipment parts sales are derived from 15% of our part numbers. This results in a high degree of competition in our service parts business.

We, of course, have a further responsibility, as we have mentioned before, to provide *all* spare parts for the normal life expectancy of the machine. When a model of a machine is discontinued from production, the same machine in the hands of a farmer will continue to give years of useful service with the addition of replacement parts when necessary. It is a very costly procedure for us to continue to manufacture a wide variety of slow-moving parts for these discontinued machines. It should be remembered that only 15% of our parts sales are derived from 85% of the part numbers that we stock. It is not unusual for us to be required to set up to manufacture quantities as low as five or ten of a part of this type. Obviously, in this regard, it costs a lot of money to set up the machine tool. Let us say you want to make, and have a demand for five or ten of a needed part, and it is a part which has to be formed with a die. It will probably take two or three hours of two men's labour to put in one die, take another one out and form the part in the machine. I have seen it happen many times. I have seen them spend five to six man hours to set up a machine to make a part and, once we get it set up, we can run off all the parts required in three minutes time. If you saw this work in progress you would appreciate what I am saying.

Obviously, it often costs us more to set up the equipment for the manufacture of these short runs than the price we have established on the part. This is aside from the material and labour involved in its manufacture. To avoid such short production runs, we frequently find it necessary to produce an all-time demand for certain parts and this can result in retaining parts in our inventories for periods of ten years and over. You probably think this an interesting point. I would like to give an example of what we are talking about here. Tooling costs are very high, and let us assume that we are coming out with a new model for the machine and the main frame is an item which requires a substantial amount of tooling—say, if you like, \$100,000. In order to avoid any greater expenditure than is absolutely essential, we might say that we can use our own tooling provided we alter it. It only costs us, say, \$10,000 to alter this tooling. In such a case we would probably say: let us make an all-time demand of the service parts that we would probably require for sale to the farmer and then let us convert the tooling. It could not be brought back to make more of the old ones. In that situation we would make a decision to make an all-time demand. When you start thinking in terms of how many—if we have 30,000 of a machine in a certain territory—how many main frames we are likely to have to replace in the next 10 to 15 years, any estimate that you make is a rough shot in the dark. We always go overboard because we never want to be caught short and have to whittle out one of

these pieces by hand. It would cost us a fortune to do so. So we go on the high side. You know, of course, we are obligated in the prairie provinces by law to carry parts for machines for a period of ten years or longer after a machine is discontinued.

We are not quarrelling with that because we carry parts and inventory for longer periods than that normally. Our policy is the same in the east as it is in the prairie provinces—it does not differ. Our policy would be virtually the same all over the world in all our operations in that regard. Take my example, for instance now. We have estimated an all-time demand of service parts. Let us say this is a large expensive part and it costs us \$50 to make it. We make a ten-year supply of these parts and let us say it costs us 15 per cent a year to keep them in inventory. First thing you know you have a part that originally cost you \$50 and in ten years' time you have how much invested in it? You have \$125 in this part. Then what happens? You will not have guessed the demand exactly right and you are going to wind up scrapping some of these parts you have made and what you will lose is not your original \$50 it cost you to make the part but \$125 you have invested, when you take into consideration the cost of having inventory for ten years. All is not gravy in the service parts business; particularly is that true on farm implements and farm machinery.

The range in prices for competitive machines doing comparable work is usually narrow. It could not be otherwise. The farmer is an informed buyer, and should the price of a machine of ours be substantially lower than that of a competitor and yet appear to be equal or better, the farmer will know it, and this will influence his buying decision. The competitor would ultimately be forced to lower his price or quality, or drop the product. Conversely, if our price were substantially higher, we would, sooner or later, have to adjust price or design or drop the product. They are discriminating buyers, we know from experience.

Because farmers are informed buyers, and manufacturers are informed sellers, there is a tendency for similar machines of similar quality and capacity to reach the same price area. This is an approximation only, for when it comes to individual machines, our products are not the same as our competitors, and neither are our prices. The range of prices for machines to perform similar jobs with similar efficiency tends to become narrow, however, under our competitive system.

The next section is how prices evolve. This is originally what we thought was your primary concern in this inquiry so we have gone into it in rather greater detail than you would normally expect, but we have not removed it.

We realize that the members of this committee are concerned with how prices evolve in a more specific way than the general statement that competition sets prices. We propose to deal with the subject as follows:

- (a) the pricing of a new product,
- (b) the revision of prices.

To really give you a good idea of this, we would have to start with the development of the machine, because that is where the whole machinery is set in motion.

Let us review the steps in the development of a new machine prior to its release for sale. Ideas for new products are constantly being studied by our product engineering department to determine whether they merit further development. If so, approval is given to develop the ideas with a view to designing a marketable and profitable product.

We outline for the development of each new product a price at which we think it will sell, considering the competitive products, if any, and the contribution it can make to the farmer's operation. From this target price, we establish

for our design engineers a target cost which will permit a fair profit, taking into consideration the volume of production, investment in tooling and inventories, dependability of sales demand and other factors.

If the machine were one, such as a combine, where you may have to carry it over from one season to the next, you might determine that you have to have a higher margin of profit for that contingency than you would on a machine with a more stable demand to be sold throughout Canada, such as a mowing machine, or something of that calibre.

The target cost is one which should be reasonably expected when the product is produced in normal quantities, assuming full use of the machine tools provided, normal labour efficiency, and using current material costs and labour rates. The target cost is furnished to the engineering and manufacturing departments to guide their decisions among alternatives of design and manufacturing techniques.

Our engineers, working in close cooperation with our sales people, develop experimental working models which are thoroughly tested in the field to evaluate their performance. Concurrently, our manufacturing and cost accounting personnel estimate the cost for the design developed by the engineers.

If the experimental design proves to be mechanically sound and the estimated cost is acceptable, the project is reviewed again. If from this review it appears that we can enter the new field of competition at an acceptable profit, considering the amount of investment required to get into production, we customarily proceed to build, without the benefit of full production tooling, a limited number of machines for further field tests, usually in the hands of farmers. Our experience over the years has taught that the real and final testing of a machine is obtained only under actual operating conditions, and I might say in the hands of farmers.

When these machines are performing satisfactorily, the project is again reviewed by those responsible for its development. Another close study is made of our costs in relation to our proposed selling prices. The study must resolve three important questions:

- (1) Will our proposed selling price produce an essential rate of profit margin to our company, consistent with the commitment of the assets of the shareholders to the project? That has to do primarily with the tooling expenditure and machine tools, special ones that you would have to get in for the project.
- (2) Will our price in relation to prices of competitive machines permit us to market our product in the desired quantities?
- (3) If the product is novel and has no competitive equivalent, will the proposed selling price of the machine result in sufficient savings to the farmer to justify its purchase?

If all factors concerned still appear favourable, the machine is recommended to the officers of the company for release for full production tooling.

Procuring tooling for a major product requires a period of time, the length of which depends upon the complexity of the tools and the existing demand on the tool makers. It may, and frequently does, require from nine to eighteen months before the product can roll off the assembly line in the quantities provided under the tooling program. Prior to making a general announcement of the new machine, its specifications, features, weights and prices, another close study is made of our costs in relation to our proposed selling prices and the final selling price is determined for the new product.

We submit that this description of how we price a new product indicates the effective manner in which competition helps regulate our prices, our products and our production. I regret to tell you, gentlemen, there is no easy

formula we can give you even for pricing a new product because there are too many factors which must be taken into consideration, as you must readily appreciate.

One of the big ones is competition. We are just like you would be if you were setting a selling price on something that you had to sell. You would want to know how long you would have to keep your money invested in it, and what were the whole economics of the proposition. We cannot take a product's cost and say we add 10 per cent, or 15 per cent, or 20 per cent to it. There may be too many of them where you would be adding 5 per cent; or, to break even, you might have to add 25 per cent or 30 per cent to the cost. You have to take all the factors into consideration, and indeed we do.

Revision of prices is the second situation. In the highly integrated and complex industrial economy of our country, a wage increase negotiated in one segment, or firm, or industry in the economy soon causes similar increases throughout the entire economy. Consequently, when we make wage increases to our own employees, in all probability suppliers of the materials we buy for our production are likewise making increases to their employees.

We have previously explained how it has not been possible for us to expand our production or improve efficiency so as to lower costs sufficiently following a general wage increase to maintain an essential rate of profit without making an upward adjustment in prices. Consequently, a price increase following a substantial general wage increase is almost inevitable.

That is what we saw this morning, gentlemen. If you have a general wage increase, and have not got productivity increases to cover it, you have no alternative but to look at your prices. This, then, is the second situation mentioned above, namely, the one in which price revisions are necessary.

The Committee will be interested in knowing how we arrive at the amount of price revisions—and it could not be simpler.

First, we compute the total effect of wage and fringe benefit increases within our Company. That is roughly the way that we discussed this morning. We then determine what increases will be made by our suppliers. These suppliers are grouped by the type of material, such as steel, brass, aluminum, rubber, electric motors, spark plugs, batteries, etc. The effect of these cost increases on our products is carefully analyzed and prices are adjusted wherever possible.

It is apparent from this description of our approach to price revisions that strong upward pressure is exerted upon our prices by increases in cost of materials and labour. But as we have pointed out, we have real competition in our industry. This situation does not give a manufacturer in our industry arbitrary market power. It brings us face to face with the dilemma of further reductions in our profits or upward revisions in our prices. We do not like the profit squeeze the farmer is presently under, nor do we enjoy the profit squeeze we are now experiencing.

Our farm machinery price index is calculated from our suggested retail prices, f.o.b. factory. The prices actually paid by farmers are determined by the dealers and will depend on freight costs, whether or not there is a trade-in, whether credit is used, and probably most important of all, on the local competitive situation.

Although the farmer buys machinery today to do essentially the same jobs as a decade ago, he now buys machines to do these jobs faster and at a lower labour cost, and to produce a better product than he did then. Also, he buys machines that will do more jobs than a decade ago, so that he may require fewer machines. All this results in a lower cost of production per unit of output.

For example, the major improvement in farm tractors has been an increase in horsepower, which has offset to a great extent the effect of price increases, but not completely—and I am not saying to you today that the price of tractors has not gone up. It has. What I want to do is to give you a couple of examples here, taking the base prices of tractors, and taking all the new and latest features off them, so that we are comparing like with like and we are not off as far horsepower-wise as you may think.

The model "H" tractor developed 26 horsepower and in 1951 had a suggested retail price of \$1,784.50 (f.o.b. factory) or \$68.63 per horsepower; the I-240 tractor of today, admittedly, gentlemen, it is a lighter tractor—with as nearly comparable equipment to the "H" as possible, develops 32 horsepower and sells for \$2,042.00, or \$63.81 per horsepower. The model W-9 tractor—some of you may know it, it is popular out in the western country—was our largest model of gasoline tractor in 1951, developing 52 horsepower and selling then at \$3,112.00, or \$59.85 per horsepower. Today our I-560 tractor, with as nearly comparable equipment to the W-9 as possible, develops 65 horsepower and sells for \$4,170.00, or \$64.15 per horsepower.

Cost per horsepower in the big tractor, for example, has not gone up much, but here again there is a difference in tractor prices. This information is useful largely to show you what we have done and tried to do in order to minimize the price increases that we have had—and I know we have had them. There is no denying that. This does show that the farmer has got better value in comparison with the way that our costs have gone up than he used to get.

I come now to the special features. We have to take these into consideration in looking at tractor prices.

Two other major improvements are the torque amplifier and the independent power-take-off. That is true of our particular line. These have helped the operator increase the average working load on his tractor to a higher percentage of the power available. There is no doubt that some machines, such as power-take-off driven implements have a considerably greater output per hour than they did a decade ago because of these new features which are now available for today's tractors.

You know, many western Canada farmers would be having to buy self-propelled combines today at a much higher price than that which they are having to pay for pull-behind combines, were it not for the availability of independent power take-off on the tractor. You would be surprised at the number of pull-behind combines being sold in western Canada. There is a lot of them, but that percentage would be dropping—and in my opinion it probably would be non-existent,—if we had not been able to develop an independent power take-off for that tractor.

Power assist devices, such as hydraulic control of implements and power steering, have made it possible for teenage children and farmers' wives to handle even the largest tractor safely.

I submit to you that this is quite a valuable feature. There are more teenage children and farmers' wives on tractors today than you might think. If it were not for power steering and hydraulic attachments, they would not be able to operate tractors.

These have, in fact, alleviated the man-power problem on the farm during harvest season, and eased the work load for any operator.

In combine development, variable speed propulsion drives, longer cutter bars and increased horsepower have made the average combine of today capable of handling more bushels per hour than the combine of comparable size ten years ago. We have heard customers state that they can do twice as much work with the combine of today.

The variety of attachments now available has enabled a large percentage of operators to harvest more crops during the season with one machine. For example, oats and wheat are harvested with one set of attachments, soy beans with another, and corn with another set of special attachments, but all with the same basic combine.

That would be more true here in the east than it would be in the wheat belt, but it would be true to some extent out in Manitoba.

Another type of advancement is shown in our Canadian-designed #91 Combine, which is able to manoeuvre much faster than conventional machines. This reduces the time lost during turns at the end of a field. We have witnessed field demonstrations in which the #91 Combine with an 8½' platform, owing to its extra manoeuvrability harvested as many bushels per hour as a conventional machine with a 12' platform.

In the #91 Combine, we have been eminently successful in designing a low-priced, high-capacity Combine designed to fit the needs of the average farmer. This machine, when equipped with a 10' cutting platform for grain harvesting, has a suggested retail price of \$4,889.75, f.o.b. factory at Hamilton, Ontario.

In 1952, we marketed the #125 self-propelled combine with 10' cutting platform, equipped for grain harvesting, at a suggested retail price of \$4,632.00, f.o.b. factory at East Moline, Illinois. It is apparent that the difference in price between our #91 Combine and the 1952 machine is approximately 5½ per cent; but the #91 Combine has much greater manoeuvrability, better capacity and the ability, with attachments, to thresh all manner of crops including corn. The latter crop could not be harvested by the 1952 model Combine. The qualities of the #91 Combine, and the price, have made it acceptable in other parts of the world; and large numbers have been exported to the United States, Mexico, New Zealand and other countries. The large number here applies primarily to the United States, as you would know.

The use of prelubricated or "sealed for life" bearings has reduced the time it takes to lubricate a combine, we estimate, by at least 60%.

The weight of present-day combines of a given capacity is much less than the models of a decade ago, so that they are now able to travel more easily over softer ground and can carry greater grain loads.

In the development of balers, there have been increases in capacity due not only to the new features in tractors, as described before—that is referring to the independent power take-off,—but to refinements in their own construction.

A striking example of this is the comparison of specifications and prices between our #50-T Pick-Up Baler, sold in 1952, with our present production #46 Baler. The #50-T Pick-Up Baler, complete with auxiliary engine (which was necessary for its operation) at a suggested retail price of \$2,376.00 f.o.b. Memphis, Tennessee, had a rated capacity of six tons per hour. Our current #46 Pick-Up Baler operated from the power-take-off of the tractor, has a suggested retail price of \$1,867.00 f.o.b. Hamilton, Ontario, and has a rated capacity of ten tons per hour. We submit that here is another example where, beyond question, the farmer is getting better value than he did ten years ago, a much greater capacity at a lower cost.

Our #46 Baler is more compact, easier to store and easier to service than the models of ten years ago. Bale length is infinitely adjustable within certain limits, permitting the farmer to produce a length of bale compatible with his handling system.

Another feature which greatly enhances the operation of balers is the hydraulic bale density control, available as an attachment, which produces a more uniform bale for better control of barn storage. A bale thrower is available which automatically loads a trailing wagon.

Average width of *grain drills* in use to day has increased, and so has their hopper capacity, measured in bushels per foot of width. This accomplishes two objectives:

- (1) with any given speed, an increase in width results in more acres covered per day, and
- (2) increased storage capacity means less time wasted on the filling operations.

"Sealed for life" bearings in grain drills, neoprene grain and fertilizer tubes, and drop-bottom fertilizer attachments have reduced the maintenance problems to a minimum. Improvements have been made in furrow opener design to increase the speed of operation. Considering all these features, we believe that there is good value in the 1960 drill as compared to the drill of ten years ago. They are not available at the same price. The prices of grain drills have gone up, as you men know. While it is true that modern grain drills, combines, balers, tractors and other farm machines perform the same basic functions as those of a decade ago, there is a vast difference in the *way* these functions are performed.

Measured in terms of "cost-reduction benefits"—which is by all odds the most important consideration—farm machinery is giving the farmer good value for his dollar.

This increase in product value has helped the farmer in a very tangible way to resolve the farm labour crisis and combat the cost-price squeeze. It has been achieved by extensive creative research and improved engineering and manufacturing techniques...and in the face of steadily rising material and labour costs, increased taxation, higher cost of selling and other expenses.

Vast changes in farm technology have made it imperative for our Company to place special emphasis, in the post-war years, on the development and design of those machines on which we could make the greatest contribution to the farmer's productivity and convenience. The consequent changes in design have resulted in sizeable development costs and large tooling expenditures for new machines, and have added to our variety of service parts and complicated our inventories. These penalties are such that we obviously cannot afford a change in the design of a machine for frivolous reasons. We do, however, recognize our obligation to assist in the farmer's progress, but it is impossible for us to reflect progress on the farmer's behalf without obsoleting machines.

Whenever the design of a machine is changed, we have a firm policy not to introduce a new component into our system if an existing one can be used.

I would like to emphasize that again, that we want to keep our variety as low as possible, our parts inventory problem as low as possible. This is a very firm policy which we enunciate to our product engineers many times during the course of every year.

Such a policy benefits our customers and dealers as well as our own Company. An elaborate cross-reference of individual parts used on various machines is maintained to assist in implementing this policy.

The next question is one with which you may take issue. It is one way of putting the problem. There is a lot of merit in it. We wondered, after we considered the things that we went over in great detail this morning, whether the real question here is whether farm equipment prices are too high or the farmer's income is too low.

Is the real question at issue here whether farm equipment prices are too high, or the farmer's income too low?

We are, as you probably know, one of a few American subsidiary companies which release their annual reports. We have done so for some years. We disclose our sales, our total sales, and this is something which few companies have done. Our annual report will show you our selling and administration costs, and our profits and dividends. Our report for 1960 covers the past ten years.

For the year 1960 just past, our net profit was approximately 3 per cent of sales of all our product lines, including service parts,—farm equipment, motor trucks, construction equipment and twine,—and this figure is not inconsistent with the average profit in prior years. You will notice in the last ten years that 3 per cent has been just about on the nose, what our profit has been during that period.

I think probably that you are going to ask me first; well, that is fine, but how much of your sales here were on farm equipment? How much was for other things, and how much was your profit on farm equipment. That is going to be your next question. This profit percentage overall is so low, in my opinion, that when you analyse our annual report, and you see the percentage on capital invested 3 per cent of anything is not very much.

But in answer to your question I would like to tell you this, that our farm equipment profit—and it is pretty hard for us to figure what our profit is on farm equipment, because we have an integration of sales districts out here, which I want to discuss in detail with you; but we, in our own minds, and for internal purposes only, figure out what we feel is our profit on farm equipment.

I do not want to divulge that figure to you, but I will tell you that our farm equipment profit over the last six to seven years, that I know of, is less than 3 per cent. I would say that our farm equipment profit is less than 3 per cent. I am not too sure that this committee is too concerned about whether it is 2.7 per cent profit, or 2.6½ per cent, or whether it is 1¾ per cent. However, if it is very material, I think we can find ways and means of showing you, and doing it in a way which will not embarrass us. That is what we want to do.

Here is what I want to explain. In this presentation we want to lay all the cards on the table. I do not want to appear evasive in any way. I have to go into some detail or you men will be suspicious of me. One always is suspicious of large companies' profits. I am too. What is the guy hiding; what has he behind his back?

Our annual report will show that our selling and collection—and that includes service expense and administration expense—is, right about on the nose, ten per cent of our net sales of all our lines,—construction equipment, motor, truck and farm machinery. When your selling, administrative, collection and service expense is ten per cent of the whole line, and at the end you have three per cent net profit, it is about like taking this pointer here and taking something like this. This much is your product cost, going up to here. Away up to here is your product cost; most of this is your selling, collection and administrative expense, and you have a tiny three per cent down here. That is about the way it is.

We have combination selling districts. As Mr. Korchinski knows, and perhaps Mr. Clancy who is not here, we have a district office at Yorkton which distributes farm equipment and motor trucks, both. Honestly, I do not know what the volume is and which is the larger of the two out there. We are the only major implement company left which has an office in Yorkton. Because we do have motor trucks we can afford to have a combination office. The same people who sell motor trucks sell farm equipment. They might use half of their showroom for each at one time and in other months it might be all motor trucks.

I wish I knew how to break this down in combination districts. One of the district managers may say that half his problems are in relation to motor trucks and another may say it is a third. How do you break down your selling cost? The answer is according to the time of the year, and also we send out a man to find out. If the weather is nice and it is the spring they will be out chasing most farmers trying to sell farm machinery, and the truck accounts are reduced. Generally speaking it is our opinion that the company's selling and servicing cost is greater on farm equipment than on motor trucks or big crawler tractors. One reason is we have a large number of farm equipment dealers and it costs more to take care of and service them than a few dealers, and keep their contracts alive. Also the service and parts turnover is lower on farm equipment.

You can be sure—and it is shown in our annual report—that our selling, collection and administrative cost is a known figure of ten per cent. This little three per cent is our overall profit. If we should try to apportion the selling expense and might say that if the motor truck is eight per cent, farm equipment should be twelve. If we are out just two per cent in this selling expense it means the three per cent is down to one per cent. There are a lot of big variations, but the profit is so small that if you make a mistake in apportioning the selling expense at places like Yorkton, Saskatoon or Regina—there is a combination office in these places and also in London, St. John and elsewhere—you are going to be out of kilter. That is the reason, gentlemen, I will say to you that in our own lines we do try to break it down. It cannot be measured definitely. So we have a profit percentage which we use for internal use. We think it is pretty accurate. I hope you will take my word, and Mr. Gay's, that our profit or loss in each of the years 1955 through 1960 inclusive was less than a three per cent profit after tax on sales of farm equipment. If you should not want to take my word for it, I would be prepared, if you would swear Mr. McBain to secrecy, to show him the figures, put them down on a piece of paper, and let him tell you whether I was telling the truth. Of course, I am, or I would not be making the offer.

Mr. HALES: May I ask if you would say a few words on the profit to the shareholders in this ten per cent?

Mr. Voss: Yes. We will do that in the annual report. The dividends are all there. What I am saying, and what I am trying to get down to, is I do not really think you are too much concerned with how much less than three per cent this was, whether two and a quarter or what. We have a lot of competitors who would love to know. I would not like to disclose it. We are, however, concerned with overcoming any suspicions you have in this regard.

I will continue on with the brief.

We submit this is lower than many industries producing durable goods. We would submit further that this profit does not provide an adequate return on our invested capital and allow for the replacement of facilities so necessary to the growth of our business and continued service to our customers. Because of the seasonal nature of our business, we have to invest relatively more money in inventory than most durable goods industries, and therefore, our net return on sales should be higher in order to carry the heavier investment.

We must strive to be competitive, not only in Canada, but in our export markets. To do this requires that we continue to invest in research and production facilities and in doing so we earnestly feel we will make our best contribution to the lowering of the farmer's production costs as well as our own.

We are always striving to reduce our costs by every means consistent with good management, and thus hold our prices to the lowest possible level.

Our delineation above of our own cost-price problems does not mean that we are not sympathetic to the problems of the farmer. In few industries is there

as close a relationship between manufacturer, dealer and ultimate consumer as there is in the farm equipment industry. The successful operation of the farmer depends to a great extent upon our understanding of his problems and our ability to design and produce equipment which will lower the farmer's cost per unit of output.

We believe that we have succeeded in meeting the farmer's needs over the past decade. In our opinion, the farmer today would rather have a used 1959 or 1960 combine, baler or tractor, than a brand-new 1949 model—because, even at second-hand, the more modern machines are far more efficient than those of a decade ago.

The farmer's need for efficient cost-saving equipment at the lowest possible cost is a concern we have always shared with him—a concern we consider vital to both our interests.

Now I would just like to summarize quickly. This morning we went into great detail in laying before you the fact that labour costs are doubled and the productive efficiency has not come close to keeping up with it. After I was through, I think both Mr. Muir and Mr. Montgomery came up to me and drew one conclusion from my remarks which it took me ten minutes to say. They really put it in a nutshell. You men will be debating this subject for days, but I think one thing they said which amounted to something was this; that is, the problem we were talking about this morning is a problem for everybody. I feel that very strongly. I think it is very true. It took me a long time to see it.

The problem we have been talking about is not a matter for just farm equipment industries, for our labourers and workers in Hamilton, for labour unions, the farmers and our shareholders; it is a bigger problem than that. It is a bigger one than what we were talking about this morning; it is a problem for everybody, and we have a lot of equities we have to weigh up and assess before we come to any conclusions. We do not know the answer. We make the decisions as they come along and, under those circumstances, do our best to overcome these problems. But, you are tackling a very great problem here, and you are tackling one which occupies most of my concern.

If this problem that you are studying today did not exist, my job as president of International Harvester of Canada Limited would be a relatively smooth one, because I spend most of my time on it. I think I know something about it, and I know that I have a well qualified team that also knows something about it.

I am very sorry that I cannot tell you gentlemen that I can foresee an end to the steady rise in prices. There is no doubt about it in our minds. We can assure you, however, that we are not going to relax one bit in our efforts to do everything we economically can do to improve our efficiency and cut our costs. But, whenever your costs exceed your increase in productivity, a manufacturer has only two choices; he must either find ways and means of passing these cost increases on to his customer in the form of higher prices or, secondly, he has to go out of business. There is no alternative, gentlemen, for the long pull. It is just as simple as that.

In closing I would like to call your attention once more to this chart, and I would ask you to keep it in mind throughout our presentation. As I said, as long as labour goes up, as long as our principal material, steel, goes up, and as long as our other material costs keep going up, this 54.1 per cent has got to go up; otherwise there would be no company, no factory, no employees, and no jobs for them. You cannot squeeze this down and let these go uncontrolled. It cannot be done in the farm machinery business, and it cannot be done in any other industry. You men are smart enough to know that I am right. This 54.1 per cent has to go up, too. We have here a bull by the tail. We have a broad problem, and we have a mutual problem. I am worried about it just as you are. I have nothing to hide, and our company has nothing to hide.

I can only tell you, in closing that I am ashamed, in the interest of our shareholders, of our company's profits on farm machinery sales.

With that, Mr. Chairman, I would like to thank you for your attention. You have been a very fine audience. You have listened very intently, and you have not interrupted us at all.

I know you have a lot of questions to ask, and we are going to answer them to the best of our ability.

I would like our secretary to give you a copy of our annual report for 1960, if you would like to have one. I presume you will get around to your other questions after a bit, and we have some people who can give you further information.

The CHAIRMAN: Gentlemen, I know that Mr. Voss has answered a good share of the questions that you probably had in mind to ask him, before this meeting began this morning.

Gentlemen, before we enter into the question period, I think it would be a good idea if we took a two or three-minute break, turned the fans on, and probably open up the doors, in order to get a little more fresh air in the room. We then will come back after the annual statements are distributed, and resume our meeting.

—recess.

—upon resuming.

The CHAIRMAN: Gentlemen, before continuing, I understand Mr. Danforth wishes to put a motion before the meeting.

Mr. DANFORTH: In view of the fact that I was unable to be present this morning I think I should be the first to raise this matter. I should like to bring it to the attention of the committee that this has been an extremely well prepared brief and contains a lot of pertinent information. I would move, sir, that the number of copies of this particular brief be increased by 250, and leave it to the discretion of the hon. members from Quebec, if they wish the number of French translations to be increased also.

Mr. RICARD: I say they should be increased by the same proportion.

Mr. MONTGOMERY: I would like to second the motion. There is a lot of information in the brief.

The CHAIRMAN: Mr. Lyons, the committee Clerk, informs me this would bring the printing up to 1,000 copies in English and 350 copies in French. Is that agreeable to the committee?

Some HON. MEMBERS: Agreed.

The CHAIRMAN: Then I declare the motion carried. Now I believe we are ready for the questioning of the witnesses.

Mr. MUIR (*Lisgar*): Mr. Chairman, first I should like to congratulate Mr. Voss on his very comprehensive statement to the committee. If he will come back with me to page 2, I have three related questions which I should like to put in series. I note that you say:

A reorganization of the U.S. company in 1902 was followed by the founding of the present Canadian company in 1903, as a wholly-owned subsidiary.

Are the shares of this company listed for sale in Canada?

Mr. Voss: No. It is a wholly-owned subsidiary and the shares are not listed on the market.

Mr. MUIR (*Lisgar*): In Canada?

Mr. Voss: No.

Mr. MUIR (*Lisgar*): Then, on page 4 you state:

Last year the company exported to the United States substantially more farm machinery, in dollar volume, than we imported from that country.

Mr. Voss: Yes.

Mr. MUIR (*Lisgar*): Could you give us the estimated balance of that trade, say for last year and for the last five years?

Mr. Voss: I cannot give it to you for the last five years. At the moment I have not got the exact figure but, if I said it were over 50 per cent I think you are not too interested within one or two per cent.

Mr. MUIR (*Lisgar*): I just meant the dollar value.

Mr. Voss: I think that question is about answered in our annual report. Let me see it. You will see it is given on page 11, net sales to International Harvester Company, that is, to our parent company, and you will see they took quite a rise in 1960 when they were \$21,313,177. That would be the total of our sales to our parent company in the United States, and that was for sale down there. Our company, our subsidiary company here, is exceptionally well in line with what the government is hoping that American companies would do. We are very autonomous and I am proud to say that we supply our American company with quite a few collateral components in return for material which we use for manufacture here in Canada. Whenever our American factories need components which they cannot make in their own facilities we get inquiries to furnish those components and, if we are competitive in price and our costs are in line, we get the business. So these collateral components are included in there as well as farm machines, but the bulk of that would be farm machines and some of them would be the farm crawler tractor that I mentioned to you.

Mr. MUIR (*Lisgar*): What is the amount you import from the parent company? I think you gave us that.

Mr. Voss: I did not want to disclose it. I gave you the percentage figure.

Mr. MUIR (*Lisgar*): You gave us the percentage.

Mr. Voss: Do not ask me—you figure it out, will you?

Mr. MUIR (*Lisgar*): The other point is: are your truck production costs reflected in any way in the price of the machinery you make in Canada?

Mr. Voss: No, sir, there is no connection at all between the two. Our principal motor truck factory is, I believe, in Mr. Danforth's constituency, at Chatham. We have a heavy duty motor truck factory, but they are completely separate.

Mr. MUIR (*Lisgar*): The last question is, then—perhaps it is not a fair question—what dollar value of your Canadian sales for 1960 was represented by farm machinery? As I say, it may not be a fair question.

Mr. Voss: I do not like to evade you again, but I am afraid I must. We have never disclosed that figure and it is not because of competitive reasons. You see, if I answer that question, that is put together with figures which our American company publishes. All these figures get put together—it is like smoking me out, and first thing you know we have got nothing left. I will put it this way, that if it is really material and pertinent to your inquiry, and if you are really terribly concerned about whether the figure is \$40 million, \$45 million or \$65 million—

Mr. MONTGOMERY: But it is the big end of the business?

Mr. Voss: No, it is not the big end. If it is really material to know exactly what it is, we would find ways and means to help you.

Mr. MUIR (*Lisgar*): It is not relevant.

Mr. MANDZIUK: Mr. Chairman, without taking up the time of the committee, I was really impressed by Mr. Voss' presentation. I think we all appreciate it. I have only three questions and I think the answers will be brief as far as he is concerned. We had the dealers' association here the other day. In their brief they complained, or rather they alleged, that advertising by implement companies is charged back to them. Does your company do that?

Mr. VOSS: No, sir.

Mr. MANDZIUK: I notice in your brief, on page 10, you allege advertising rates have gone up, and I was interested in that point.

Mr. VOSS: I better be sure, sir, that I get your question right.

Mr. MANDZIUK: Do you charge back any advertising to your dealers, that is pamphlets or monthlies that are sent out to customers? I think you do send out a monthly. They did not specify your company, or any company, as a matter of fact.

Mr. VOSS: If you are asking whether we charge on an invoice—as I believe some people do—a certain price or fee for international advertising, the answer is no, we do not. We do have direct mailing of advertising; in other words, we may print up literature on a machine and we will go to our dealers and say: "If you will give us a selected mailing list, we will mail them for you." They pay the cost of postage plus a very nominal sum. They would add a contribution. We regard that, however, as local advertising, and we do it for a price much less than it would cost them to do it themselves.

Mr. MANDZIUK: But you charge them what it costs you? You are not making any money or losing any money on it?

Mr. VOSS: We are losing money on it. This is Mr. Brannan's section.

Mr. BRANNAN: We have a direct mailing point. When you ask do we make anything on it—do not nail me down on these figures, but this is approximately correct. For three mailings for a harvester and tiller or tractor, they take their choice,—they gave us the list,—our over-all cost would be, say, for the purpose of illustration—and this is as close as I can give it to you—25 cents to make those three mailings. We would charge them something in the area of 20 per cent of the total cost and we would absorb the rest. In other words, they pay for the postage and handling but not for the literature itself.

Mr. MANDZIUK: I have a supplementary question. How about annual get-togethers and these so-called instruction courses, and so on, is there a charge back to the dealer? The dealers have alleged that that is the practice of some companies.

Mr. BRANNAN: As far as our company is concerned, we have service clinics, sales meetings and so forth, but we make no charge whatsoever. They pay their board and room and transportation to the place where we have the meeting. If it is in Winnipeg, for example, the dealer from Oakner would come in or send his man and pay the expenses. No charge is made by the company.

Mr. MANDZIUK: My second question, Mr. Brannan, has to do with complaints I have heard from farmers about the changing of models, which happens too often. How often do you change models? It results in changes of parts, which results in the dealers' complaints about keeping parts for models for 1955, 1956, 1957 or 1958. It loads them up with a lot of spare parts. What is the situation there as far as your company is concerned?

Mr. VOSS: I think I have answered that question.

Mr. MANDZIUK: But, to be more specific?

Mr. VOSS: More specific? The man who determines how soon we have to change models on a machine is our customer. Whenever we can keep selling a machine and do not have to change models, we are very happy. If you gentlemen only knew how many hundred thousand dollars one has to invest in order to change models and how reluctant we are to add further service parts to our already over-burdened facilities, you would be sure that nobody wants to put out new models for frivolous reasons. You do not see us just making sheet metal changes and that sort of thing. If we have to change, it is for functional reasons.

To answer your question specifically, I was just speaking with Mr. Smallwood on that subject and he mentioned that we had made a change in a baler model from 45 to 46, and he was telling me he thought it was an excellent idea. He would be the first to admit that we were wise to make the change. If the customer dictated our change, would not that be correct, sir?

Mr. SMALLWOOD: That is quite right. They did make that change.

AN HON. MEMBER: It sounds like collusion to me.

Mr. VOSS: We resist that, on the part of the management. We resist it as long as we can, but do not forget that the people who put pressure on us to make the change in models, primarily, is the customer.

Mr. SMALLWOOD: My name was mentioned in connection with the baler. It was the number 45 baler, that I mentioned. Mr. Voss did not mention it in his brief. It was manufactured and produced for about three years as a baler that had no fly wheel. It was a very rough baler, and shook to pieces, and by comparison with the model having a fly wheel, they were forced to remodel the number 46 with a fly wheel on it. Is not that right?

Mr. VOSS: That is right.

Mr. PASCOE: Mr. Voss said the customers dictate the changes. Do they write in or do they do it by hiring a model from another company, or how does it occur?

Mr. VOSS: It is done primarily through the dealers. We have men in constant contact with the dealers, and we have our own men constantly in the field. Our dealers and customers have ways and means of letting us know, mostly by word of mouth. We would like to have more letters coming in, but you cannot rely on them.

Mr. PASCOE: If you do not make a change, you lose sales?

Mr. VOSS: When you see your sales go down and down, you have to do something. You know there is something wrong.

Mr. MANDZIUK: As a supplementary to this, may I ask in regard to one you mentioned, the W-9 tractor, manufactured in 1959, there would not be any material changes for 1960, would there, so that the same set of parts would fit?

Mr. VOSS: Generally, they would. The only thing you would have new would be improvements, which, again, one does not like to make.

Mr. MANDZIUK: They would be of a minor nature, would they not?

Mr. VOSS: Normally, yes.

Mr. MANDZIUK: My last question, Mr. Voss, may have a political tinge attached to it.

Mr. MUIR (*Lisgar*): Shame!

Mr. MANDZIUK: I do not want to quote the paper or the group, but I read of an accusation by certain people who think that there is a monopoly control of farm machinery and if that were broken up it would lower the price of machinery. You do not have to answer this unless you want to do so. I think it is important to hear your opinion on it. Is there a monopoly control of farm machinery?

Mr. VOSS: You gentlemen know that that is not true.

Mr. MANDZIUK: I know what you said in the brief.

Mr. VOSS: I can put it this way, I know of no industry that is more competitive than the farm machinery industry. If anyone sought to monopolize it—well, I will tell you frankly, yes, I would like to monopolize it, and if any of my competitors sitting in the back of the room would get complacent so that we could monopolize it, it would be a great feeling, I presume. We certainly do not monopolize it. They do not give us their figures, but I do not know of any competitor we have got that is monopolizing it.

Mr. MONTGOMERY: I think the question inferred that there is a combine among a number of manufacturers.

Mr. MANDZIUK: The way it is put in the paper is “monopoly control of farm machinery”. That is why I asked the question. Thank you Mr. Voss. I think you have answered my question.

Mr. KORCHINSKI: I would like to compliment the International Harvester Company on the appearance they have made here today. I think their brief was a great help to the committee, and in presenting it in the manner he did, I think Mr. Voss has made his job a little easier. However, at the risk of being a real stinker, I am going to ask a dirty question here about a manure spreader. On page 3 you stated that your Hamilton works do not construct manure spreaders. Did I get that right?

Mr. VOSS: That is right, sir.

Mr. KORCHINSKI: The point is this. What is your policy with regard to supplying machinery? Is it your intention to have all kinds of machinery or do you prefer to stay out of certain lines of production?

Mr. VOSS: We are not going out of the manure spreader business. In the United States of America in the last few months we have announced that we are closing the oldest farm implement works down there, the old McCormick works down there, which is being torn down. When they did that they gave us in Hamilton a number of machines we could make, and we are supplying them in the North American market, including the United States of America. Among the machines which we did have and were successful in getting were all their manure spreaders. Therefore, as soon as this new factory extension building is completed in Hamilton—that will be by midsummer, I hope—the Hamilton works will be the source of supply for all the manure spreaders that our parent company sells throughout the length and breadth of the United States. Now, what is your question?

Mr. KORCHINSKI: The point to which I wanted an answer is this: is it your intention to produce all lines of farm machinery, or do you stay out of certain lines because you feel the demand is not there, or perhaps the cost of production is too great in relation to the sale price you could command?

Mr. MANDZIUK: In other words, you cannot be competitive, I think that is it.

Mr. VOSS: I will answer you in this way. We do not deliberately stay out of any line. We analyse our facilities and the type of machine tools that we have, and the abilities of our designers, our product designers. If we feel that the market is sufficient to justify our getting into it, if we feel that it is a machine regarding which our dealer organization could adequately represent us, in other words, if it is in line with the machines they have already got in the Harvester line, I would say we would consider it, as we would almost every kind of farm machinery. To answer your question, I do not believe we are deliberately staying out of any field. We have not gone into garden implements, and that sort of thing.

Mr. KORCHINSKI: For example, the straw chopper behind the combine for shredding the straw—there is not too much of a demand for that type of equipment.

Mr. VOSS: That is right.

Mr. KORCHINSKI: And yet, because you are manufacturers of combines, this is auxiliary equipment and therefore it sort of complements your combine sales; so you might not have a big demand for it, and the relative cost of production of that particular unit may be high, but you still want to sell that type of equipment in order to have the complete line.

Mr. VOSS: In other words, if we had to have a shredder in order to sell combines, and it was going to sell only in small quantities, if there were an existing manufacturer who made an acceptable machine that would fit on the back of our combine, we would give strong consideration to buying it from him.

Mr. KORCHINSKI: I understand that.

Mr. VOSS: In fact, to answer your question, we would probably buy anything that we could buy to better advantage than we could make it. We would farm out our whole line and have it made by someone else for less money, if we could; but I do not believe that we could. However, if we could, I believe we would be interested in doing so.

Mr. KORCHINSKI: Mr. Chairman, my next question is on a different line. I wonder if you could express in terms of percentage what it might cost you, in your overall operation, for retooling when you are going into a new design? Take an average year, for example. Could you express it?

Mr. VOSS: I believe it would vary so much with the machines—it depends on the machine—that it would be impossible.

Mr. GAY: I do not know how we could do it percentage-wise.

Mr. VOSS: No sir. I do not think we could answer your question. We might come close with some figures, which after a while you might be given.

Mr. GAY: You mean on a tooling program. One year it might run from \$20,000 to \$50,000 and the following year it might run anywhere between \$300,000 up to \$600,000.

Mr. KORCHINSKI: Could you give us a high and a low over ten years?

Mr. VOSS: You mean what the tooling was?

Mr. KORCHINSKI: I realize that there cannot be an average. It would be unfair.

Mr. VOSS: The tooling cost of some individual machine—you mean what does it cost to tool? The problem in answering your question is this: if you are speaking only of tooling and dies, that is one thing; but if you are talking about machine tools that these dies work on, that is something else again. If you have to buy a big press, it might cost you \$150,000. Yet the die to go in it might cost only \$2,000. I do not think it would be practicable to try to answer your question.

Mr. KORCHINSKI: Very well, I shall drop it. Could you supply us with the average number of hourly paid and piecework employees since 1949, your highest number and your lowest number in those years? I ask for it, because this average in cost might not mean anything.

Mr. FORBES: Are we asking questions according to the pages of the brief, Mr. Chairman, or are we to ask all our questions at one time? This afternoon one of our good members found it necessary to be unavoidably absent. He asked me to present a number of questions for which he would like to have answers. They look to me to be good questions. I do not know whether I would call them supplementary questions. I do not know if you are calling for

questions page by page or not. There are page numbers on the questions which have been given to me. So if you will kindly give me a little direction in that respect, I shall know whether to ask them according to pages, or not.

The CHAIRMAN: The suggestion was made at one of our previous meetings that we should entertain supplementary questions relative to the main question, because it would make for better reading in our report.

Mr. McINTOSH: It would be very difficult. I think all our questions are supplementary to something that has been asked before.

The CHAIRMAN: The chair finds it difficult to determine whether a question will be supplementary or a new question, when a member takes the floor. The chairman would prefer to let one member continue with all his questions, and finish, and then to go on to the next. Are you through Mr. Korchinski?

Mr. KORCHINSKI: No. I asked a question for which I have not received an answer yet.

Mr. VOSS: Your question was on this chart: how many hourly paid and pieceworkers did we have.

Mr. KORCHINSKI: Yes, or if not the average, then the high of the number of people in employment and the low, employed.

Mr. VOSS: All right. The low average per year—I only would have it for 1954 to 1960.

Mr. KORCHINSKI: Could you supply it as part of the evidence? That would be fine for my purpose.

Mr. VOSS: All right. I would prefer not to give you all the figures, because if I did so, then everybody is going to have the total tonnage of our factory, by years. But it would not do too much damage. Let me see if I cannot satisfy you with this answer: that the low, over a seven year period, was 1353 factory employees, hourly paid and pieceworkers, and the high was 2373. Does that answer your question?

Mr. KORCHINSKI: Is that for the time you have it?

Mr. VOSS: No, for the seven years.

Mr. KORCHINSKI: That is fine.

Mr. VOSS: The high is 2373, while the low is 1353. If we could leave it that way, and that is the average for each of the years, we would prefer it.

Mr. KORCHINSKI: The next question is this: do you manufacture disc blades for any other companies?

Mr. VOSS: No sir, I do not believe we do. We sell to our parent company, and I think we have been successful in getting orders from our British harvester company in England, to supply them with disc blades. I am proud of that. However, we would entertain some orders, if any gentlemen have them.

Mr. KORCHINSKI: I have one more question: in the evidence given before the farm implement special committee of the commons in 1937, the International Harvester presented a table indicating a summary of the grey iron foundry production, with burden percentages, and listing material, productive labour, prime cost—material and labour,—and so on.

At that time the percentage for a ten year average was 35.29 per cent on material, 36.58 per cent on productive labour, and 71.87 per cent on prime cost—material and labour. I wonder if your company would be prepared to present similar tables for both the foundry and the malleable iron foundry production? My purpose in this question is to try to relate the percentages as they were in 1957 to what they are today.

Mr. VOSS: What is your reference on that? These are divided into book-lets, are they not? I am not familiar with what you are reading from. I know about the inquiry at that time.

Mr. KORCHINSKI: I am referring to pages 298 and 299 of the 1937 farm implement committee reports.

Mr. FORBES: Will he stay with your pages, Mr. Korchinski, or will he wander around in the book for himself?

Mr. KORCHINSKI: No. There is a record of it on the fly-leaf.

Mr. JOLY: It is part number five, in 1937. We can get it.

Mr. VOSS: This is in money, materials, production, labour, and prime cost. Percentage-wise I think there is no harm in giving such figures. You make a note of it. The answer is yes, I think we can give them to you in the form of percentages, as you have asked for.

Mr. KORCHINSKI: To follow this up, Mr. Chairman, would you show the cost of materials for them, and the cost of labour also?

Mr. VOSS: There is no question about it, absolutely. Our materials primarily are iron and steel, as we said before and as you know, and everything that has gone into them is either labour with probably ore of some type, transportation, probably some depreciation and maybe some profit that our suppliers have made, some taxes, and so on. But our largest element of cost is labour and I would think that our supplier's largest element of cost is labour. I would be quite sure of that. The answer is yes. However, as I told you this morning in the case of the Grey Iron Foundry, if you make pig iron, every foundry all over Canada is making it and you can automatize it; there is a very high degree of mechanization. But when we have to do this hand moulding on the floor we probably do that exactly the same as we did it ten years ago and probably not a lot different than we did small casings in 1937 and in that case the labour cost would have gone up substantially and to a far greater percentage than your materials.

Mr. THOMAS: Mr. Chairman, I have two or three questions which are pretty well spread all over the whole brief. They are questions of a general nature. I believe Mr. Muir raised this question. I was not sure whether or not there was a clear and specific answer. I will perhaps put it in different words. I would like to ask Mr. Voss if measured in dollars your exports from Canada are greater or less than your imports into Canada?

Mr. VOSS: The answer to the question is that our exports last year in 1960 exceeded our imports of farm machinery and farm tractors from the U.S.A. as I said in the brief, by over fifty per cent. The balance of trade is in Canada's favour. That is not true in respect of Britain. We did import more from Britain than we sold to Britain. We are looking for more things to sell to Britain.

Mr. THOMAS: Can you give us any idea of the percentage of the adverse trade with Britain?

Mr. VOSS: Offhand I do not know the value of our imports from Britain. Mr. Gay says it would be his opinion that we would have exported to the United States and the other countries last year more farm tractors and farm equipment than we imported from the United States and the rest of the world. That would not have been true in prior years, because it has only been in the last eighteen months that we have taken over the supply of all this broad line of implements to our American dealers.

Mr. THOMAS: Could Mr. Voss give the committee any idea of the capital employed per employee?

Mr. VOSS: In Canada?

Mr. THOMAS: Yes.

Mr. VOSS: Yes. It varies with each employee per year.

Mr. THOMAS: Well, say 1960. You could give the number of employees for 1960. In the annual report, it is 6,840.

Mr. VOSS: I think Mr. Gay could figure that out for you and, if we could revert to that after a few minutes, he will give you that figure.

Mr. THOMAS: In dealing with wage rates, which you talked about this morning, I understood you to say that wage rates in 1961, counting fringe benefits, now amount to about \$2.79 per hour for hourly employees.

Mr. VOSS: That is the average, yes. As of today, that would be true.

Mr. THOMAS: How does that wage rate compare with similar employees in the United States?

Mr. VOSS: I cannot answer that question, sir. I can only answer it generally. We have not had any occasion to check it recently, but I understand that that rate would be in the vicinity of 20 per cent less. Is that about right, Mr. Brannan?

Mr. BRANNAN: Yes.

Mr. VOSS: I would like Mr. Brannan to speak on this point.

Mr. BRANNAN: That is my concept of it, but I cannot quote you definite figures, Mr. Thomas. That is what we have in recent months considered to be the disparity.

Mr. THOMAS: Would you say that the volume of production in your Canadian operation would affect prices?

Mr. VOSS: Yes, it affects the degree to which we can mechanize and automate; that is true.

Mr. THOMAS: Then, would a decrease in wage rates in Canada tend to increase the scope of your operation in Canada?

Mr. VOSS: Yes.

Mr. THOMAS: And, therefore, decrease prices?

Mr. VOSS: Yes.

Mr. THOMAS: And, conversely, would an increase in wage rates in Canada tend to decrease the scope of your operation in Canada, and therefore increase the price of farm machinery?

Mr. VOSS: That is very true and, particularly, are we vulnerable in that regard now, in supplying the United States with as many machines as we are. We are strictly on a competitive basis. The answer to your question is definitely yes.

I think you might be interested to know—and some of you may remember—back in 1947 our company made a very determined effort and reduced prices over most of its lines, and put out a lot of publicity on it. Mr. Fowler McCormick's famous statement was that any price is too high if it can be reduced. At that time he was gambling, I think, probably that the inflationary trend would not continue. However, things have developed, and it has gone up each year, so everyone has forgotten all about it. However, it was a concerted effort to try and hold the line.

Mr. THOMAS: I have one other question. What is the capital used per employee in Canadian operations?

Mr. VOSS: To answer your question, assets employed in 1960 were \$12,500 per average of all the employees, not just factory but salaried, district offices and everyone. I think what you primarily had in mind, Mr. Thomas, was factory workers.

Mr. THOMAS: Well, not necessarily. I would prefer to have it cover all employees. I think it is a little simpler.

Mr. VOSS: Well, the figure is \$12,500. That is your over-all figure, and that is taken from the annual report.

Mr. RAPP: On page 8 of your brief you say that at your Hamilton works real estate and business taxes had increased 268 per cent. That is a terrific increase, and I should like to know was it due to the fact that your business went up or the volume of your real estate went up, or was it due to the increase in the mill rate in Hamilton?

Mr. GAY: It was an increase in the mill rate.

Mr. RAPP: Then this 268 per cent is actually not so much because your business went up but just because the Hamilton council had increased their mill rates. Did they go up three times from 1949?

Mr. GAY: About five years ago there was a major revaluation of the entire city of Hamilton but, as a result of that, I could not tell you how the value of our particular properties increased as a total percentage of the city of Hamilton.

Mr. VOSS: I was told by our treasury department that this had no relation to the volume of business which we were doing, and that the physical properties were identical.

Mr. GAY: There was also the business percentage of the real estate taxes.

Mr. MANDZIUK: Your assessment did not go up?

Mr. GAY: It could be there is no relationship to the volume of business.

Mr. RAPP: This is a pattern all over the country and not only at your plant. What I should like to stress is that it is not due to the fact that this is a manufacturing factory or plant. It is due to the increase in taxes and revaluation of assessment which has gone up all over the country.

Mr. VOSS: I think so.

Mr. FORBES: Mr. Chairman, I am going to be brief with my questions and, as they are to the point, I hope the answers will be the same. On page 6 of the brief you make reference to DBS figures in relation to the cost of farm equipment. Do these figures relate closely to your own figures of what it costs to manufacture, say, a particular machine?

Mr. VOSS: No, this is not cost; this is a pricing index. This has to do with retail prices, on page 6, and if I may ask: were you here this morning, sir?

Mr. FORBES: Yes.

Mr. VOSS: I explained then that we got the help of the DBS to establish our own price index. So far as we are concerned our office is geared on the same basis as theirs.

Mr. FORBES: Right. Do you have a breakdown of the cost of an H tractor, a combine and trailer?

Mr. VOSS: Following on your last meeting we had to get these figures very quickly. We felt you might be tempted to ask for a percentage breakdown of the cost of a combine, which we are going to give. We are also going to give you the cost of a baler and a manure spreader. You asked at the other meeting for figures regarding a wheeled tractor, which we do not have, but we are going to give you a breakdown for a number 9 field cultivator.

Mr. Chairman, we have those percentage figures here and we would be very happy to give them to you. Quite honestly, I thought that maybe they would mean something when we figured them out, but the only thing they are going to tell you is the ratio of labour and material and how that varies through the years—and it has not varied much. But, Mr. Chairman, if you would like us to, we would be happy to give you our figures.

Mr. MUIR (*Lisgar*): Are you doing it in percentages or dollars?

Mr. VOSS: In percentages. I hope you will not want us to publicly disclose the costs, and may I say for the record why. This is a really competitive, cut-throat industry. Take the case of balers—there is no business more competitive than the baler business. A lot of our competition comes from south of the border—from people who do not make those products in Canada. If we disclosed publicly what our cost was on this baler, it would be just like going into a poker game—I am not a poker man myself but I have seen it played—with the other players knowing all your cards. If they knew, for example, that you were selling this baler with a \$25 profit on it, do you know what they would do? They would say: "What is my cost? Gee, I will just cut mine down to \$50", and then Harvester are going to sell at a loss. So we all have our cards stacked in our favour. That would be so, gentlemen, if I gave you the cost; but I could, in confidence, if other people will do it—divulge the costs. We are not ashamed of them, but do not make us do it publicly, please.

Mr. FORBES: What does it cost you to build one of these machines? If we knew we would then be able to tell whether the manufacturer is making too much profit. If you want to answer at another time, that is fine.

Mr. MANDZIUK: I have a supplementary to that, Mr. Chairman. I realize the reason why Mr. Forbes asked that question, because there are groups of people who claim that profits of manufacturers of farm machinery have been going up, and a breakdown will help us decide whether or not that is the case.

Mr. VOSS: Well, sir, I can only come back to what I said before—our profits have been very modest. You see, in the over-all picture, as I have told you, our farm equipment profits were less than that. I will say this, that it is a tiny, little profit that we make on a machine. That percentage is related not to the retail price but to our wholesale factory price, as you know. That is not going to make any difference at all. You are talking about such a small amount. You are working on so little. Maybe our competitors have a margin—it might be well to ask and find out. If they have, I would pursue it, if I were in your position. But based on what I know about my business, in farmers' language, you are barking up the wrong tree, because the profit is not there. You can attack our efficiency and criticize me, our management, and our boys for not being more efficient, and I will take it and investigate every suggestion you have for increasing our efficiency; but an attack on the profit margin is not realistic or justified, because the profit margin is not there. You can tell that from our annual report. Your economists can tell you that. It is easy to say, "Well, there is a company which sold \$150 million worth of goods; we are suspicious of them because they have made too much money." I submit to you that if you would figure the average amount that a farmer spends for farm machinery and then figure out what you would consider was the right margin of profit—assume that it is two and a half—and then you would say that that is too high. How much are they entitled to have? Then figure that as a percentage of the retail price of equipment that this man is buying. You are not talking about any sum of money. You are talking about a few dollars, and that is all.

Mr. FORBES: This morning you made reference to a certain amount of piecework in your factory. Does that apply to assembly machines?

Mr. VOSS: Yes, sir, we have every operation we possibly can on piecework on an incentive basis, so a man is paid on the number of pieces he makes.

Mr. FORBES: That is fine. Now, how do you relate that to your hourly cost this morning, in the check you had?

Mr. VOSS: We took the total rates of payments we made for the year on all piecework and we took the hourly-rated people and the total number of hours, and divided by the actual number of hours worked.

Mr. FORBES: And that provided the hourly rate? Do you find that piecework reduces the cost?

Mr. VOSS: Yes, sir. There are abuses in the piecework system, as you all know, but by and large we believe in incentives.

Mr. FORBES: The next question is, what percentage of your machinery is sold in western Canada? Can you say that?

Mr. VOSS: We do not have those figures with us. When you say "west", you mean west of Ontario, of course?

Mr. FORBES: Yes, the prairie provinces.

Mr. VOSS: It is pretty near a saw-off.

Mr. FORBES: Could you give an approximate estimate at a later time?

Mr. VOSS: If it is really material, I will give the figure, yes. I would not think so—but if it is material to your inquiry, I will get it for you.

Mr. FORBES: These are some questions which I was asked by Mr. Jack Horner to ask here for him.

Mr. PASCOE: There are some other questions first.

The CHAIRMAN: Perhaps we could come back a little later to those, and would now give an opportunity to some others to ask questions.

Mr. DANFORTH: I would like to ask Mr. Voss three or four questions. We have had witnesses here from other companies who stated that in the process of their normal business they handle machines which they do not normally build but, because of the necessity to have a full line of equipment, they must fill their inventory with machines built by other companies. Is it a fact that International Harvester deal only with the equipment they themselves manufacture, or do they handle machinery for other companies?

Mr. VOSS: We have some machines that we sell which are made by outside people.

Mr. DANFORTH: I am not asking for any specific machine. I am dealing generally with the field.

Mr. VOSS: The answer is that we buy some machines on the outside, particularly if they are smaller volume machines where a smaller manufacturer might not have such a demand as we do, and would be better able to run a job shop operation than we could.

Mr. DANFORTH: Do these machines go under the "International" label, which is well known, or do they go under their own label?

Mr. VOSS: They go under our own label if it is designed on our side, but they go under that firm's label if it is their own model.

Mr. DANFORTH: You do some subcontract work with other manufacturers?

Mr. VOSS: Yes, but not as much in Canada at the moment as we normally would, because we have surplus capacity and we are keeping as much of it as possible in our own works.

Mr. DANFORTH: This committee is very interested in the manufacturing point of view. There are from time to time allegations that the farm machinery industry does tend to form a combine and does in effect work a price-fixing machinery, and you have stated previously that due to competition you do not seem to think this is feasible. I can understand that up to a point, but may I inquire this. I can understand, if you came out with a product when the offering price to the public was in excess of other companies, that you would then reduce your price to be competitive. I could understand that happening.

Mr. VOSS: Yes.

Mr. DANFORTH: But what I fail to understand is this. Each year new prices are brought out by machinery companies, and must be brought out far ahead of the actual machines appearing on the market. I fail to understand, in the last few years, while there has been an increase in every instance, how the increase between companies is almost approximately the same. The percentage increase is just about the same in every case, yet the machines have not even appeared on the market yet. There has not been competition, as the machine is not even on the market yet, and no prices are established for the year, yet between the machinery companies apparently the prices are comparable. How is that, if there is no price fixing?

Mr. VOSS: All I can say to that is that you can be very sure, and I can swear it under oath, and I am sure the others here would do so, also, that under no circumstances do we ever get together with our competitors and have a joint arrangement on prices. There is absolutely none, under any circumstances. I would not tolerate one of our people doing it, and I am sure they do not. If any of our competitors know of any new model that we have got coming out, they have got the information without our blessing. That is one of our trade secrets. We do not want anyone to know when we are coming out with a new model. We hide them. We test them under other colours than our normal one. It is real competition. There can be nothing more untrue than the inference that there is any conspiracy. And in particular that would be true in the case of new models, because this is a very competitive business.

Mr. DANFORTH: Supposing the committee is prepared to accept your statement in its entirety?

Mr. VOSS: Yes.

Mr. DANFORTH: Could you offer any explanation as to why this does in effect take place? I am sure you gentlemen are aware that it does take place, even more so than we; I mean that when the prices of all models go up each year, it is by an identical percentage. Can you offer some logical explanation for this which might satisfy the committee.

Mr. VOSS: Yes sir. I thought we had done so in our brief where we dealt with this under the category of how prices tended to keep in the same general area. For example, if we have a machine, and it does about the same work as one of our competitors' machines with the same output per hour, and the same general weight, and they are very similar, obviously the price range and differential between those two has to be very narrow, otherwise one of the two of us is not going to sell his product.

Mr. DANFORTH: I can understand how that would happen in the case of a machine which had been in production and had not changed very much. But I am thinking more of new models which come out. There were a number of new models which came out in 1961, and the machine dealers had the price lists, and there seemed to be very little difference in the prices. In other words—let me put it another way: the tractor of machine company A increased in price by X per cent. So did the new tractor of machine company B, and the new tractor of machine company C. They all seemed to go up in price at a comparable percentage. I wonder if you could offer a logical explanation as to why this should take place?

Mr. VOSS: I think as we said in here, whatever increase we have, the other people probably had too. If our prices went up, and the other companies did not have to increase the price at all, I would be very interested to know if they did not have the wage increase that we had. I would say that, percentage-wise, the amount of increase for all of us would be on a realistic basis, unless someone made a mistake, and that they would go up approximately at the same general

percentage; because I do not think there is a lot of difference between the wage increases that we have, and those which our competitors would be putting into effect in the course of a year. There might be a three or four months time lag, however.

But you see, in the case of this automatic wage increase, such as the one we had on April 22, we had known for some time that it was coming up, and it was contracted for. We knew last October, when we suggested our prices that this was coming up, and we legislated for it. The thing we did not know was how much production we should have, and whether we would be making a profit over the course of a year. You have to make an estimate. That is all you can do. In a market like this, you do not change your prices every day. You like to have the same stated company prices dealer-wise and customer-wise.

For your information, in setting up the cost of a machine in manufacture, it is pretty hard to get the cost right down to the last penny, and to estimate what your depreciation burden and overhead will be. You have to estimate what your actual production will be in the year, because that is what is going to determine what your actual cost is going to be for that year, in the final analysis.

Mr. DANFORTH: Am I to infer from your statement that in the graph which is presented for a new year there are certain basic costs that would be almost identical between the machine companies, in the labour field, the material field, and so on, and that that in itself would have something to do with uniformity in a price increase?

Mr. VOSS: Yes. If you are talking about tractors, for example I would hope that we would get as favourable a price from the tire companies as our competitors. We never know for sure; but I would be of the opinion that there would not be much difference between our cost. We buy a lot of components. I would hope our prices are as favourable as our competitors on bearings, chains and other things. For instance, let us assume we are talking about our first competitor "B". If we are making a baler, he would assume that probably our price of steel per pound would be about the same as his. There would not be much difference in it. We might have to go out on the market and buy a few odd pieces from a distributor rather than direct from the mill and might have a little re-rolling cost. In bearings, tires, wheels, springs, tubing, pipe, paint and things like that, I would say our costs would be very comparable.

Mr. DANFORTH: I just have two other very short questions and then I am prepared to pass. Is it possible, since the tractors are made in the United States, for a dealer under your franchise to act as an importer-wholesaler from the United States?

Mr. VOSS: Well, I presume it would be possible; but I do not think it would happen, for the reason that within a variation of a few dollars the prices would be about the same.

Mr. DANFORTH: I asked this question specifically. I suspect there are instances where dealers under an international franchise are importing tractors from the United States as wholesalers and, having a retail outlet, are charging a mark-up, both wholesale and retail, which in effect amounts to a double mark-up on the product.

Mr. VOSS: That is not possible; absolutely not. The dealer's cost and the retail price would be virtually comparable. You are talking about new tractors?

Mr. DANFORTH: Yes.

Mr. VOSS: That is not possible.

Mr. DANFORTH: I fail to understand this, because I think I can give you a specific instance where this is actually going on. Am I right in assuming that in your price you do give an f.o.b. list price to your dealers?

Mr. VOSS: We give a suggested retail price f.o.b. factory to our dealers.

Mr. DANFORTH: And in effect he can charge what he feels the market will bear.

Mr. VOSS: I do not know of any case where any of our dealers have charged more than that. It is a maximum price. He could sell for less.

Mr. DANFORTH: Is it possible for a dealer "A" to obtain your tractor, pay your price and resell? Within your competence have you any control over him if he wanted to sell at \$100, \$200 or \$250 over your suggested retail price?

Mr. VOSS: I think you have a fine legal point there. We never had it tested. I do not think it is a practical question, because to my knowledge I have not heard of it. If you have heard of such an example we would be prepared to run it down. I do not know what type of disciplinary action we could take. If it was affecting our business, we would have a talk with the dealer. It probably is within our control to do something about it; but I do not think that problem has arisen.

Mr. DANFORTH: There might be a difference of from \$100 to \$250 in the price of your tractor. I would be prepared to give you this information privately.

Mr. VOSS: I do not see how it can happen. Our price is the same to all dealers.

Mr. DOUCETT: No matter where they are, plus freight.

Mr. VOSS: Yes.

Mr. DOUCETT: Your wholesale price is the same?

Mr. VOSS: Yes.

Mr. DANFORTH: My proposition is that you have in effect both dealers paying the same to you but one dealer charges in excess, because he feels the market will bear it.

Mr. VOSS: Where is this territory? That is wonderful.

Mr. MANDZIUK: Maybe another dealer sells below the suggested price.

Mr. DANFORTH: That is possible.

Mr. VOSS: That is done every day. It is most unusual for a man to get the full retail cash price.

Mr. DANFORTH: That is the reason I am wondering why there is such a differential in the price of the same tractor within a distance of a few miles.

Mr. VOSS: The dealers have a vicious price cutting war in our industry. You know what tractors sell for and you know the dealer's discount and his mark-up. It is very possible there would be a \$200 differential.

Mr. DANFORTH: That is why I was interested in knowing why it is possible, since they are American built tractors, for a specific individual by acting as wholesaler and retailer have an independent mark-up?

Mr. VOSS: He would have to buy from a dealer there, and for all practical purposes that dealer would have the same cost as our dealer here.

Mr. DANFORTH: I am speaking of a man with an International Harvester franchise; he is not a dealer. He is buying direct from the factory.

Mr. VOSS: Then it would be through the Canadian district office. His contract provides that he would buy, if it is in your territory, from the London district office which supervises that territory. His order would go to the London district office.

Mr. DANFORTH: Do you have distributors over definite areas, so that tractors go to a distributor who in turn distributes these tractors?

Mr. VOSS: No. We have our own district offices, like yours at London which covers the Chatham area. We have only one class of dealer.

Mr. BRANNAN: I think this is a fair statement. An American factory of our would not accept an order from a Canadian dealer unless it came through an International Harvester district office in Canada. So he could not go to the factory to buy. He would have to buy from a United States dealer who would have the same margin he would have buying from us.

Mr. VOSS: In practice I have never heard of the situation you mention occurring. There are lots of opportunities for it; there is no fence across the border and no duty.

Mr. DANFORTH: Thank you, Mr. Chairman. Those are all my questions.

The CHAIRMAN: Gentlemen, it is past five o'clock. Is it the wish of the committee that we endeavour to finish our questioning of these gentlemen from International Harvester this afternoon?

Mr. DANFORTH: Some of us now have to sit in the house.

The CHAIRMAN: Mr. McIntosh, Mr. Cooper, Mr. Pascoe, and Mr. Forbes all have indicated they have questions. I am sure Mr. Voss would be quite anxious to finish up if possible. He has another engagement on Monday morning in Quebec. It would be at least Tuesday afternoon before we could meet again. If the committee will endeavour to maintain a quorum I think probably we can finish up within half an hour or so. Is that agreeable?

Agreed.

Mr. MCINTOSH: Mr. Voss, you made the statement this morning that you have three groups to consider—the shareholders, the employees and the customers. I would take it that from the customer's point of view you look after him in that order. The reason we are here, I presume, is because of customers' complaints that the price of machinery is going too high. In regard to the shareholders, I want to refer you to page 14 of the financial statement, and ask you this question, if it is fair to do so.

Mr. VOSS: Yes.

Mr. MCINTOSH: Did you say your shares were not on the market?

Mr. VOSS: No, they are not. The parent company's are, but not the Canadian subsidiary's.

Mr. MCINTOSH: Who holds your shares?

Mr. VOSS: The American parent company, International Harvester, in the United States.

Mr. MCINTOSH: Is the value of these shares exactly the same as it was, say, ten years ago, in 1951? I would like to have some columns on that chart.

Mr. VOSS: The par value would not have changed, but—

Mr. MCINTOSH: You have 150,000 at \$100 each?

Mr. VOSS: Yes, and that is \$15 million, and that is constant back to 1951; but, the retained earnings have increased, you see, from \$24.9 million in 1951, to \$41.7 million in 1960.

Mr. MCINTOSH: Look at the statement of income and retained earnings. How do you explain that in 1951 you paid \$2 million in cash dividends and, in 1960, you paid \$3½ million?

Mr. VOSS: 1960?

Mr. MCINTOSH: Yes, almost 80 per cent higher.

Mr. VOSS: And you are asking how do I explain it?

Mr. MCINTOSH: Yes.

Mr. VOSS: Well, over the period of years our dividends have run in the vicinity of 60 per cent of earnings, which I believe, for industry, is a generally accepted figure on pay-out. You normally figure a company should pay out about 60 per cent of earnings, and ours had been running below that, as you can see from prior years; we had been retaining money in the business to build and expand.

Mr. McINTOSH: But your net income in both these years was comparatively the same?

Mr. VOSS: Yes, we increased our dividend in 1960 and 1961. Our shareholders were hopeful we would, and we did so.

Mr. McINTOSH: Then, that 3 per cent you were talking about in dollars and cents does not mean the same thing that you are trying to say to us by way of percentage?

Mr. VOSS: Yes. We are talking net income up here.

Mr. McINTOSH: Let us take cash dividends, though.

Mr. VOSS: I do not relate the cash dividends as a percentage of sales. You can do that if you want to. In that case, cash dividends in 1960 were about 2 per cent of sales, but I do not think that is normally a fair comparison.

Mr. McINTOSH: Do you not think that the farmers decry the high cost of machinery as compared with the shareholder's income from the shares they hold and that there should be some comparison? It is almost doubled.

Mr. VOSS: No, I do not think that is relevant.

You can go back to 1954 and 1955 when the dividend was \$2 million and, based on capital invested and retained earnings—capital stock and retained earnings, in the amount of \$45 million, I would say it is a most inadequate return. It is about $4\frac{1}{2}$ per cent. You could do far better than that by investing in commonwealth bonds.

In 1955 there was a \$2 million dividend; add up your capital stock and retained earnings—and I would suggest you ought to put in it a provision for retirement benefits—that would mean that we have a total invested of \$52 million in the Canadian company as shareholders funds, and our dividend was \$2 million, which was a 4 per cent return. Considering the risk you have in this business, I think it is wholly inadequate. It would be far better to put it into government bonds.

To compensate for that, in the better years, when we were able to do so, we increased our dividend, and I think we were fully justified in doing so. We went over the 60 per cent of net income in 1960, in paying that dividend, but we had been under it in the past. If we average that out over a period of years, I do not think it is unreasonable.

Mr. McINTOSH: Again, taking the 9-year difference, 1960 as compared to 1951, I am interested in your figure for selling and administrative expenses. In 1960 you have \$15 million, and in 1951 you have \$7 million. Can you explain that?

Mr. VOSS: Yes. As I said, this is a total cost on motor trucks, construction equipment and farm equipment. I was not with this company in 1954, but Mr. Brannan was. However, I asked him this question yesterday—and I have asked this question many times: why? Selling expenses were very low in 1951, in 1952 as well. We did not really have to do any selling in that time. Machinery was in very short supply, and very little advertising was necessary. We had very few sales competitions, inducements and so forth, in order to sell our goods. I believe that is correct.

Mr. Brannan, you were sales manager of farm equipment at that time. Would you say that in 1951 people were taking things away from us? I think they probably were.

Mr. BRANNAN: Yes, it was still in the post-war period.

Mr. VOSS: Since that time the cost of advertising has doubled, and the cost of taxes has doubled. The cost of our salaries in the district offices has doubled, and that is the thing that worries me.

You see, gentlemen, the thing that bothers me is that in 1951 our sales were \$129 million. Our prices have gone up, but our total sales in 1960 were only \$156 million. However, our cost of selling that has doubled.

Mr. MCINTOSH: I am interested in the statement that your salaries in branch offices and so on have gone up. The reason I am interested is that I am sure when the labour congress come before us, we are going to get an altogether different picture about labour costs than we have at the present time. Comparing 1951 with 1960, have you fewer employees now putting out more units, although your cost of labour has increased 99 per cent. Has there been a shift from overall employment to the white-collared worker?

Mr. VOSS: You are talking about overall employees?

Mr. MCINTOSH: The ones that work in the shop, I would say.

Mr. VOSS: I would say they are relative. I am not too sure I got your question. You are talking about the ratio of salaried employees to factory employees within the works, are you? Yes, that ratio has remained pretty constant. It is 21 per cent, 21½ per cent and 23 per cent.

Mr. MCINTOSH: The relationship between the overall men and the white-collared men has remained pretty constant?

Mr. VOSS: Yes, within 5 per cent.

Mr. MCINTOSH: Then would you say that the statement that fewer employees at a similar cost to what the wages were ten years ago are putting out more units, is a false one?

Mr. VOSS: I think our productivity has gone up a little, as I said this morning. Yes, I think our productivity has gone up some. Now, it is very difficult to measure, and I wish I could measure that. However, I do not know how. The units change. If the units were constant, we could. As a rough, over-all guess, I suppose if you probably suggested that in our particular works in this industry, that our productivity has gone up 10 or 12 per cent, I would say I probably agree; on the other hand, if you said it was 15 per cent or only 8 per cent, I could not argue with you. But, what you are going to be confronted with—and this is a thing that bothers us—is that when you talk productivity in the United States, there is a generally accepted figure that industry, in general, uses, and that is a 2¼ per cent increase in productivity, compounded annually; and when you relate that to 1949 and 1960, as we did when we were making up this presentation, that would mean that our productivity should have gone up by 27½ per cent between 1949 and 1950, and, if we were perhaps in line with the generally accepted figure for industry over all, in the United States, that might be applicable. However, our opinion is that our productivity is very much less than that, and I think the Gordon report commented on the fact that productivity in Canada would be less than that 2¼ per cent, compounded annually. I think I can assure you, when you are confronted with that figure, as I am sure you will be, that I am not interested in what industry does overall. I am only concerned about the farm equipment industry and, in that, we have not got a high productivity rate because our production is too small to mechanize.

Mr. REGNIER: On page 33 of your brief you state that your net profit was approximately 3 per cent of sales in 1960. That would be after depreciation, I suppose?

Mr. VOSS: After what?

Mr. REGNIER: After depreciation.

Mr. VOSS: Yes.

Mr. REGNIER: What would be the percentage on the capital stock profit which, I understand, is \$15 million.

Mr. VOSS: Our retained earnings which we have not capitalized?

Mr. REGNIER: Retained earnings are also profits.

Mr. VOSS: They are previous years' profits which have not been distributed, and without which we could not continue in the business.

Mr. REGNIER: But the percentage would be very high on the capital stock?

Mr. VOSS: That money was put into the business probably 50 years ago, actually 57 years ago, and you are going back before my time. I do not know what it would buy then but it would certainly buy an awful lot less now.

Mr. REGNIER: Yes, but you have almost \$35 million or \$37 million of retained earnings which are also profits?

Mr. VOSS: That is true. These are earnings which have not been paid to the shareholders, which have been kept in the business and used to buy new equipment, new machine tools, to finance parts inventories, and build new district offices.

Mr. REGNIER: You have also what we call capital gains from your real estate.

Mr. VOSS: That is not in here.

Mr. REGNIER: Is a capital gain made by increasing the value of your real estate?

Mr. VOSS: Possibly not in factories. If you had to go out and sell a factory building you would find it is pretty hard merchandise to sell.

Mr. REGNIER: At the same time, you have about \$2 million of depreciation which you show as expenses?

Mr. VOSS: I believe we set that out separately. Yes, we have. There was \$2½ million accumulated depreciation. That is on real estate, on machine tools and so forth.

Mr. REGNIER: That has been going on for a number of years, I suppose?

Mr. VOSS: Yes. You can see on page 12 it is built up to a figure of \$27 million.

Mr. REGNIER: Eventually this will be translated into profits?

Mr. VOSS: No. It is a reserve for depreciation.

Mr. REGNIER: Or capital gains?

Mr. VOSS: No. I do not know how it could ever be a capital gain, unless we sold them and we have no intention of selling them.

Mr. REGNIER: Would you like to give us your percentage on capital investment?

Mr. VOSS: It is roughly in the vicinity of 8 per cent. Our capital investment, as you can see in 1960, is \$15 million, to which must be added \$41,756,000, and to that you would have to add the figure of \$4,109,867 which is the provision for the employees retirement benefits, for employees who have previously retired and where we have this pension liability. That is a total of \$60 million or, say, roughly \$61 million. Our net profit, after taxes, was \$4,713,000, which is a return on investment of about 7 per cent.

I would suggest to you if you had money to invest that you do not put it into the farm equipment business as you could only get 7 per cent return on your investment. Also, you are taking quite a risk and you can lose money in this business as well as make money. You would be a lot better off to invest your money in government bonds at the moment.

Mr. REGNIER: Of course many farmers live on their depreciation from machinery and buildings.

Mr. VOSS: We do not. We cannot pay factory workers their salaries on depreciation. There is no way we could do that.

The CHAIRMAN: Mr. McIntosh, I believe you had another question?

Mr. MCINTOSH: Yes. On page 17 of the brief you say that fast moving parts would cover a sizeable portion of the farmers' spare parts purchases, and as a result you have many competitors in the spare parts field. I was wondering if other competitors can make these component parts or spare parts as cheap, or perhaps cheaper than you can. If so, would it not be more advisable for you to purchase these parts from your competitors and thus bring the cost of your machinery down? I do not know how much it amounts to.

Mr. VOSS: You say would it not be advantageous for us to purchase these parts from our competitors?

Mr. MCINTOSH: If they can produce them cheaper than you can.

Mr. VOSS: I do not know if they can produce them cheaper than we can. It is possible that the people who would sell these parts to us would also be selling against us. That happens.

Mr. MCINTOSH: I am thinking of harrow teeth, disk blades and knife sections. I am not thinking of completed bearings.

Mr. VOSS: You are talking about a bread and butter line to our Hamilton works. We have recently taken on the manufacture of all knives and sections for the North American market in Hamilton. We make all the disk blades for North America in our Hamilton works, but I do not know what our costs are. I can give you this assurance, however, that we have a lot of competitors and we have to keep our prices down. In fact, I think we cannot buy them cheaper than we make them.

Mr. MCINTOSH: This morning you mentioned the component parts which you purchase, such as certain types of ball bearings and chains. You must have gone into the cost factor on those, otherwise you would not have made the statement which you did. Would you not make that statement on this other?

Mr. VOSS: I do not follow you.

Mr. MCINTOSH: In regard to these disk blades, harrow teeth, and so on, you say they are bread and butter, and bread and butter to me in business is something for which there is a good demand and in which there is a profit.

Mr. VOSS: Yes, there is a reasonable profit to us on those items.

Mr. MCINTOSH: I think that is my point.

Mr. CLERMONT: Mr. Chairman, I should like to join with the other members of the committee in complimenting the witness on the brief presented. I have only a few questions. On page 11 of the annual report there is provision for federal and provincial income taxes of \$4,300,000, and on page one you show for taxes—federal, provincial and local—\$12 million. Would the difference of \$8 million be for local taxes?

Mr. VOSS: This includes I believe, sales taxes on motor trucks and crawler tractors sold for construction purposes, as well as local taxes, and that amounts to quite a bit in our motor truck line.

Mr. CLERMONT: I think it was the last questioner who spoke about dividends. Are these dividends paid so much a share or do you say: "This year we will give them \$2 million and next year \$3 million." Do you do it prorata?

Mr. VOSS: Our Canadian board of directors meets every quarter and regularly looks at the dividend position and our profit position, and makes a decision on what, if any dividend can be paid. It has been reduced from what

it was in 1960. Normally we would pay our dividend quarterly, as is customary in our business, but the way business is going in 1961, dividends will not be \$3.5 million this year, and the quarterly rate has been reduced. I think in the past quarter our dividend to shareholders—I do not believe it needs to be kept secret from these gentlemen—is only \$500,000, and with four quarters, that would be paying dividends at the rate of \$2 million. We are in a cost-price squeeze, and I am not fooling. It is not paid on so much per share, however. It is a flat sum.

Mr. CLERMONT: The profit was never divided, or your parent company never drew on it, except the annual dividend?

Mr. VOSS: That is right, we have never paid capital to our parent company.

Mr. CLERMONT: My last question is—and I ask this question of every company—are you refinancing your sales of equipment? I read that you finance your dealers.

Mr. VOSS: Yes, we have a finance company that we have set up, and we finance or we floor, as you probably call it, machines for our dealers. We floor farm machines and motor trucks.

Mr. CLERMONT: What about consumers?

Mr. VOSS: The answer to that is that we finance very little for the consumer, for several reasons. First, we have not got the funds available so that we think we can not afford it—we are not broke either, do not get me wrong—and secondly, with the capable financing that most of our customers are able to get through F.I.L.A. at a very favourable rate of interest, 5 per cent, it has reduced the necessity for us to do so much financing for farmers. In that regard—if I can put in a plug for our farmer customers—I hope you will raise the \$7,500 restriction so that more of our farmer customers can take advantage of this lower interest rate. We finance very little paper and I think it is correct to say that it is less than 1 per cent of our sales.

Mr. CLERMONT: That will be the per annum interest?

Mr. VOSS: Mr. Brannan will answer.

Mr. BRANNAN: Mr. Voss is correct in saying that in 1959 and 1960 we steered all the possible retail paper to the F.I.L.A., and that has been our policy since its inception. But if a customer is not eligible under F.I.L.A. or has exceeded his quota under F.I.L.A., we will finance for him, and that varies slightly as between monthly payments. Broken down into annual payments, it amounts, in simple interest, to 10.5 per cent.

Mr. CLERMONT: Thank you, Mr. Chairman.

Mr. FORBES: May I ask a supplementary question on that same point? Mr. Voss suggested we increase the amount of \$7,500. Now it seems to me that the farm union indicated to us that their limit under the farm improvement loan is approximately \$3,000. You find you have customers who get the maximum loan to buy equipment?

Mr. VOSS: Yes, it is not unusual.

Mr. McINTOSH: On the manager's own word, without having permission from the head office?

Mr. BRANNAN: The statement was that everything over \$3,000 the bank manager had to refer to his superiors. That did not mean it would not be approved. Many times we have had the experience where people have purchased, if not up to the limit, certainly in excess of \$3,000.

Mr. COOPER: My question was answered by Mr. McIntosh, but we are having labour trouble here too. I know that one of the things they are going to say in their brief is that in this machine age companies are putting in machines that will take the place of four or five men. They will say that

companies are making money on these machines and throwing people out of work. What is the percentage of your labour force running the machines in the last 15 years as compared with now?

Mr. VOSS: I have answered this this morning, to the best of my ability. As I said, the only measure that I can see that is really realistic is the tons that you get in production of manpower that you pay for. Based on that, our productivity in our factories in this industry has gone up very slowly. I know it is possible by adding one machine to displace the labour of four or five men in some industries and on some jobs, and indeed on things we make if the volume were such that we could do so. If we were going to make 20,000 or 25,000 or 30,000 things, certainly we could afford to tool up and eliminate this labour cost. We do not do that. If you men are interested in investigating that, why do some of you not come down to see our works in Hamilton? We have mechanical engineers who will be very happy to show you how they work and how they would work if they had enough production, and what the cost of it would be. That would give you an idea of what we cannot do—what people in the automobile and rubber business have done. Some of you are farmers, and, for instance, a farmer might have 25 head of hogs and a hired man. In the last ten years the hired man's wages are doubled, and the farmer says he cannot afford it. A man will come and say: "If you spend \$5,000 for equipment you can mechanize the slopping of pigs." You say, "I cannot afford to do that, I have only 25 head of hogs." Maybe you can go out and buy 500 head of hogs and feed them with this one man. That is fine if you have a place to sell 500 hogs. We can do it on farm machinery if we could increase our production and if we had a place to sell it. The answer is, yes, we could do what you are talking about, but we have got to face reality and we have not the production to do it. If you are really interested in investigating this from the technical standpoint, the thing to do is to come to our factories and see for yourselves. We would be happy to show you at any time—all of you or a standing committee or otherwise.

Mr. COOPER: Another question was pretty well answered during the recess and that is: What do you do with the repair parts that you make that we cannot get? As I said, I have a small interest in an implement business, or my son has. My cultivator sat in the yard; I rigged it up and it sat in the yard for three weeks waiting for wheels. I ordered them before we started in the spring, but we had to rig it up to get it working. In the middle of the summer it broke down and three weeks later it still sat in the yard waiting for wheels. As you know, the blockman, Mr. Mel Fleming, picked up the wheels and axles.

Mr. VOSS: Mr. Brannan, do you know why we could not get it faster for him?

Mr. COOPER: I was raising hell all the time to get them.

Mr. VOSS: I would appreciate it if you could give me a note so we could get them for you. We do have a man who is in charge. He has not come here, but he probably has personal knowledge of the subject.

Mr. COOPER: I believe you were interested in having the farmers serviced.

Mr. VOSS: Yes, and we sell hundred of thousands of parts every year. We do our best to anticipate demand, but you know what happens; we are all human and we all make mistakes. Our dealers, sometimes, in going over the list of parts—and perhaps your son has done this also—accidentally and not on purpose, may overlook a part that should have been ordered. He should have ordered sections but he forgot to put it down and as a result the order comes in and they are short.

They are human, everyone makes mistakes, and our people could make a mistake.

Mr. PASCOE: I had some questions on the purchase of farm machinery, but I think they have been pretty well answered. I am very glad Mr. Voss expressed the opinion that the F.I.L.A. helped you to a considerable extent, especially since the government is putting \$100 million into the total. There is one question on page 6. It is in regard to labour costs. You say that in comparison with the period 1949 to 1960, the average has risen by 99.3 per cent. That is almost 100 per cent.

Mr. VOSS: Yes sir.

Mr. PASCOE: And that productivity per manhour had not gone up to the same extent?

Mr. VOSS: Yes.

Mr. PASCOE: I am just trying to find this out. Taking Stelco, the Steel Company of Canada, in their annual report they tried to get down to cost factors and they showed how much labour went into the production dollar, how much money went for labour and how much went for materials. Do you have a chart like that?

Mr. VOSS: We do not.

Mr. PASCOE: Do you have it to show the production dollar rate?

Mr. VOSS: We have this breakdown, and that will answer it in regard to the five machines that we have been discussing.

Mr. PASCOE: That will answer it?

Mr. VOSS: Yes.

The CHAIRMAN: Mr. Forbes, I believe you have some questions that Mr. Horner left with you. Have you many of them?

Mr. FORBES: I must say that they are most inquisitive. I will give them as rapidly as possible. On page 3 you mentioned a number of employees. How many employees has I.H.C. now? How many in Canada? Is 3,500 the total for all Canada?

Mr. VOSS: Our total employees in Canada as of today would be in the vicinity of between 6,400 and 6,500 employees. That is all lines.

Mr. FORBES: Next, could we have a breakdown of employees paid wages at union rates, and those paid salaries? How have these salaries increased or decreased over the years? What is the total payroll amount paid salary employees and amount paid hourly workers?

Mr. VOSS: I can pretty well answer that question for you. Let us put it this way. Most of our office people would be represented by unions. It is rather unusual, but that is true. The factory offices are represented by unions. You can say as a general rule that the salaries have gone up in line with the wage earners' wages. There would not be much in it. You are safe in assuming that. As for the number of salaried people, I could give that to you if I had it. I have it in Ottawa, but I do not think I have got it here now.

Mr. FORBES: Would you care to hand it in to the secretary and he could send it on?

Mr. VOSS: Are you thinking about the people in our farm equipment factory?

Mr. FORBES: I think that is what Mr. Horner had in mind.

Mr. VOSS: I will give you the average for 1960, and I think that will answer the question. The average for 1960 was 2,373 factory employees and wage earners; and 589 salaried. They are not all clerks and accountants—the salaried man can be an inspector and he can be the watchman and he can be the planning man and he can be the machine tool man, and he can be the foreman. It would not include janitors, as their rate would be an hourly rate.

They are not all clerks in that category, so do not think they are all accounting people.

Mr. FORBES: On page 4, what are the total sales for the past few years? What percentage of sales would be on the Canadian market? What percentage of the Canadian market does your company capture? How many 650 tractors would you sell in Canada in a year or over the past few years?

Mr. VOSS: Let us take those questions one at a time. What is the first?

Mr. FORBES: The total sales for the past few years.

Mr. VOSS: You have got that in the annual report. Probably Mr. Horner had not seen that.

Mr. FORBES: What percentage of your sales are on the Canadian market?

Mr. VOSS: That is on the record here. It is very close to it.

Mr. FORBES: What percentage of the Canadian market does your company capture?

Mr. VOSS: I would like to know the answer to that one. I do not know, sir.

Mr. FORBES: All right. On page 5, how have dealers increased or decreased over the past few years?

Mr. VOSS: We have just over 900 dealers. The general tendency is for the number of dealers to decrease as the number of farms has got less and the number of machines used has got less. As transportation has improved, as farmers are willing to go greater distances, the number of dealers has decreased.

Mr. FORBES: In your opinion, do fewer dealers with a larger stock of parts improve service?

Mr. VOSS: Well, up to a point, yes.

Mr. FORBES: Did automation in your opinion offset any raise in labour rates?

Mr. VOSS: I think that has been answered.

Mr. FORBES: Can we have a breakdown on the costs of material, labour and distribution?

Mr. VOSS: Yes, sir. You are getting those in these five machines.

Mr. FORBES: If taxes go up, is there a tendency to increase the cost of machines?

Mr. VOSS: Yes, sir.

Mr. FORBES: You are doing more in research and development now—is this true? Do you think the government should implement any further testing stations? It is something along the lines of the Nebraska test that he has in mind.

Mr. VOSS: We do not think it is necessary. We have every confidence in our testing procedures.

Mr. FORBES: In regard to page 10, you mention \$10,850 for advertising, for a page of advertisement. This seems pretty high and you refer to seven weekly farm papers. Is that correct?

Mr. VOSS: Yes, sir.

Mr. FORBES: What seven are they?

Mr. BRANNAN: *The Country Herald, The Country Guide, The Family Herald and Weekly Star, The Maritime Farmer, The Western Producer, The Free Press Prairie Farmer.* We are talking about farm magazines now, not talking about institutional magazines. There are magazines such as the *Farm Equipment Dealer* and *Canadian Farm Implements* which generally service the dealer trade. We do very little advertising in those publications. We have to put

our money where it counts and we want to reach the farmer. There are seven principal publications and I do not know how many minor ones. I have not got a list here, but you gentlemen all know these, I am sure.

Mr. FORBES: These were the questions that were handed to me. Mr. Jack Horner wanted to get these answers on the record. I will try and put them over as quickly as I can. Do you manufacture any machinery overseas?

Mr. VOSS: Yes, sir.

Mr. FORBES: How much or what is it? Everything?

Mr. VOSS: Yes, we have factories in England and Sweden. You are talking about the United States parent company now?

Mr. FORBES: Yes.

Mr. VOSS: They manufacture farm machinery in England, Sweden, Germany, France, Australia, Mexico. We are the world's largest manufacturers of farm equipment, as you men probably know—our parent company and all its subsidiaries.

Mr. FORBES: In what country are your largest sales manufactured?

Mr. VOSS: In the United States.

Mr. FORBES: What percentage of your total sales in Canada are parts? That is a pointed question, is it not?

Mr. VOSS: I have not got that information with me.

Mr. FORBES: Very well. Are prices the same in Canada, the United States of America and Great Britain?

Mr. VOSS: The prices in the United States and Canada are. You can say for practical purposes that they are the same. I forget the exchange variation, but you may say they are the same. In regard to Great Britain, they import very little because that is a low-cost producing area and the answer to that is that if the British company imported goods from here, those goods would sell for a higher price than they sell in Canada, because you have transportation, insurance and a lot of other things to consider.

Mr. FORBES: What percentage of production is combines, tractors or balers? Have you got that?

Mr. VOSS: No, sir, not broken down.

Mr. FORBES: This is the last question. Do you think that the more models of tractors the higher the prices of same seem to be?

Mr. MANDZIUK: That was given in answer to my questions, probably.

Mr. VOSS: I would say the answer is yes. If we could make only one model of tractor, why, the price would come down on that model. I can say yes. I am sure every farmer would love to have me standardize that particular size and model tractor which he particularly wants on his farm. If we could, that would be wonderful.

Mr. MANDZIUK: What does Mr. Voss have to say about the statement that the shareholders have put \$15 million into the company—that is all they have put in; suppose it was only one man—and reaped a return of \$3½ million a year, which comes to over 30 per cent?

Mr. VOSS: They originally invested \$15 million and they went for a long time with absolutely nothing on it. That ratio of earnings was over a period of 57 years.

Mr. MANDZIUK: It would have doubled their investment, which was not only excessive at the time, but also subsequently thereto. I am not asking for figures, but in respect to the salaried personnel from the lowest man you have to the top, may I ask if there has been a proportionate increase in their salaries?

Mr. VOSS: Mr. Brannan says not at the top.

Mr. MANDZIUK: I am not asking for figures, but their salaries have gone up?

Mr. VOSS: Yes, I am very safe in saying that they have gone up.

Mr. MANDZIUK: Does the company not feel that some of you gentlemen make more than the president of the United States?

Mr. VOSS: I would say that the top level salaries have not benefited as greatly as the lower level salaries have.

Mr. DANFORTH: I would like to have a statement from the witness, if possible. Do I have your permission?

The CHAIRMAN: A statement from whom?

Mr. DANFORTH: From Mr. Voss. Have I permission to ask a question?

The CHAIRMAN: We have been carrying on for some time, but go on and ask it.

Mr. DANFORTH: Mr. Voss, we understand how labour and material figures in your production cost, and that these costs are passed on to the farmers. But I would like to ask for your comment on this: do you feel that the costs of farm production or farm machinery in the future can be lowered by the utilization of machines for more than one specific purpose? I mean machines having more hours of work per machine? Take, for example, a four-tire conveyance that might be used for more than one specific purpose, such as a manure spreader, a forage grain box, or a combine that could be used to harvest small grain and corn? Have you conducted any research along that line, as to whether you could produce a piece of machinery that could be utilized for more than one purpose, because this would ultimately reduce the capital expenditure to the farmer?

Mr. VOSS: I suggest that there already is such a machine, applicable in the case of mixed farming, in the form of a combine which will thresh both corn and grain; and another in the form of our new self-propelled windrowers for both grain and hay, as well as for different field crops. I know that my own company has a windrower which eliminates the necessity of having a separate mowing machine, rake, and so on, because it does all these things in one operation. That is the trend. It is to make a machine do more than one thing. But there is one thing that a farmer does not like, and that is to have a reduction in the quality of the job that these machines are going to do. Farmers wish to produce a number one job, and this limits our ability to give them a universal machine. Our aim is to bring about a situation where there may be as few machines as possible.

Mr. DANFORTH: I take it that your machine company is conducting research or investigation towards this particular end, to reduce the capital cost to farmers?

Mr. VOSS: That is right. If we could reduce the cost to the farmer we would do it as quickly as we could, because it is the only way we can save the farmer. If we can help the farmer by reducing his costs through giving him a better and more universal machine, that is what we are out to do. I would like to do it, but it is something that cannot be done over night.

Mr. DANFORTH: Thank you.

The CHAIRMAN: I am sure that all the members of the committee wish me to express our appreciation to you and to the other members of your organization who have appeared before us and presented this very fine and concise brief. I may add that it was a very informative brief as well. We want to express our appreciation also of the fine manner in which you conducted the examination this afternoon, and answered the questions that were asked by members of the committee.

Mr. VOSS: Thank you.

The CHAIRMAN: Again, many thanks for appearing before us.

Gentlemen, the committee will now stand adjourned to meet on Monday morning at 9:30 a.m. in this room. The meeting will be in camera.

APPENDIX "A"

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

HAMILTON FARM EQUIPMENT WORKS

Cost Analysis Comparison by Years

No. 120 Windrower	1954	1955	1956	1957	1958	1959	1960
	%	%	%	%	%	%	%
MATERIALS							
Raw Materials (Steel, wood, cotton duck, pipe and tubing, etc.).....	22.30	23.05	22.63	21.92	21.42	21.42	22.14
Finished Materials (Tires, bearings, chain, propeller and power shafts, etc.).....	23.57	24.33	24.99	23.80	22.86	22.55	24.51
Burden Materials (Machine tool repair parts, cutting tools, abrasives, cutting oils, misc. supplies, etc.).....	2.46	2.33	2.71	2.95	2.77	3.28	3.08
Receiving and Shipping Materials.....	.53	.47	.50	.57	.66	.55	.49
TOTAL MATERIALS.....	48.86	50.18	50.83	49.24	47.71	47.80	50.22
LABOR							
Factory Wages.....	24.59	23.93	23.69	23.37	22.58	25.82	25.33
Salaries (Foremen, Purchasing, Industrial Rels., Planning, Accounting, Material Control, etc.)..	6.98	6.36	6.55	6.65	6.74	6.69	6.26
Fringe Benefits (Welfare Plans, Vacation Plans, etc.).....	7.26	7.38	6.62	7.39	7.88	7.60	7.26
Receiving and Shipping Labor.....	2.61	2.29	2.46	2.65	2.37	2.24	2.59
Total Labor.....	41.44	39.96	39.32	40.06	39.57	42.35	41.44
ALL OTHER (OVERHEAD)*							
Depreciation, Insurance Real Estate Taxes, Utilities, Fuel, Product Engineering, etc.....	9.70	9.86	9.85	10.70	12.72	9.85	8.34
Total Cost.....	100%	100%	100%	100%	100%	100%	100%

* Labor and material costs have been extracted from overhead, except in the case of Product Engineering.

HAMILTON FARM EQUIPMENT WORKS,
Accounting Department
May 10, 1961

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

HAMILTON FARM EQUIPMENT WORKS

Cost analysis comparison by years

No. 9 Field Cultivator	1955	1956	1957	1958	1959	1960
	%	%	%	%	%	%
MATERIALS						
Raw Materials (Steel, pipe and tubing).....	27.16	27.62	27.07	26.79	26.84	27.36
Finished Materials (Gray iron and malleable castings, bearings, wheels, springs).....	15.93	16.32	16.19	15.51	14.42	15.66
Burden Materials (Machine tool repair parts, cutting tools, abrasives, cutting oils, miscellaneous supplies, etc.).....	2.40	2.76	2.93	2.72	3.32	3.17
Receiving and Shipping Materials.....	.71	.76	.86	1.01	.81	.72
Total Materials.....	46.20	47.46	47.05	46.03	45.39	46.91
LABOR						
Factory Wages.....	25.69	25.00	24.13	23.15	26.48	26.42
Salaries (Foremen, Purchasing, Industrial Relations, Planning, Accounting, Material Control, etc.).....	6.57	6.70	6.59	6.62	6.75	6.46
Fringe Benefits (Welfare Plans, Vacation Plans, etc.)...	7.73	6.88	7.45	7.84	7.91	7.69
Receiving and Shipping Labor.....	3.44	3.70	3.96	3.66	3.34	3.81
Total Labor.....	43.43	42.28	42.13	41.27	44.48	44.38
ALL OTHER (OVERHEAD)*						
Depreciation, Insurance, Real Estate Taxes, Utilities, Fuel, Product Engineering, etc.....	10.37	10.26	10.82	12.70	10.13	8.71
Total Cost.....	100%	100%	100%	100%	100%	100%

*Labor and material costs have been extracted from overhead, except in the case of Product Engineering.

Hamilton Farm Equipment Works
Accounting Department
May 10, 1961

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

HAMILTON FARM EQUIPMENT WORKS

Cost Analysis Comparison by Years

No. 40 Manure Spreader	1955	1956	1957	1958	1959	1960
	%	%	%	%	%	%
MATERIALS						
Raw Materials (Steel, pipe and tubing).....	22.71	22.05	21.88	20.13	20.27	20.77
Finished Materials (Chain, auger, wheels, universal joints, bearings).....	35.27	35.42	33.36	31.66	31.39	31.57
Burden Materials (Machine tool repair parts, cutting tools, abrasives, cutting oils, miscellaneous supplies, etc.).....	1.83	2.16	2.40	2.42	2.87	2.81
Receiving and Shipping Materials.....	.64	.66	.76	.85	.71	.61
Total Materials.....	60.45	60.29	58.40	55.06	55.24	55.76
LABOUR						
Factory Wages.....	17.88	17.96	17.91	18.13	20.90	21.23
Salaries (Foreman, Purchasing, Industrial Relations, Planning, Accounting, Material Control, etc.).....	5.00	5.24	5.40	5.89	5.84	5.72
Fringe Benefits (Welfare Plans, Vacation Plans, etc.)....	5.83	5.34	6.06	6.86	6.55	6.48
Receiving and Shipping Labour.....	3.06	3.23	3.51	3.07	2.90	3.24
Total Labour.....	31.77	31.77	32.88	33.95	36.19	36.67
ALL OTHER (OVERHEAD)*						
Depreciation, Insurance, Real Estate Taxes, Utilities, Fuel, Product Engineering, etc.....	7.78	7.94	8.72	10.99	8.57	7.57
Total Cost.....	100%	100%	100%	100%	100%	100%

* Labour and material costs have been extracted from overhead, except in the case of Product Engineering.

Hamilton Farm Equipment Works
Accounting Department
May 10, 1961

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

HAMILTON FARM EQUIPMENT WORKS

Cost Analysis Comparison by Years

No. 46 Baler	1958	1959	1960
	%	%	%
MATERIALS			
Raw Materials (Steel, wood, pipe and tubing).....	8.68	9.92	9.77
Finished Materials (Tires, springs, grey iron, pinions and gears, shafts, knotter, gear box, bearings).....	41.96	40.67	43.80
Burden Materials (Machine tool repair parts, cutting tools, abrasives, cutting oils, miscellaneous supplies, etc.).....	2.57	3.03	2.84
Receiving and Shipping Materials.....	.58	.48	.42
Total Materials.....	53.79	54.10	56.83
LABOR			
Factory Wages.....	19.07	22.08	21.28
Salaries (Foremen, Purchasing, Industrial Relations, Planning, Accounting, Material Control, etc.).....	6.26	6.19	5.78
Fringe Benefits (Welfare Plans, Vacation Plans, etc.).....	7.22	6.75	6.37
Receiving and Shipping Labor.....	2.10	1.96	2.20
Total Labor.....	34.65	36.98	35.63
ALL OTHER (OVERHEAD)*			
Depreciation, Insurance, Real Estate Taxes, Utilities, Fuel, Product Engineering, etc.....	11.56	8.92	7.54
Total Cost.....	100%	100%	100%

* Labor and material costs have been extracted from overhead, except in the case of Product Engineering.

Hamilton Farm Equipment Works
Accounting Department
May 10, 1961

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

HAMILTON FARM EQUIPMENT WORKS

Cost analysis comparison by years

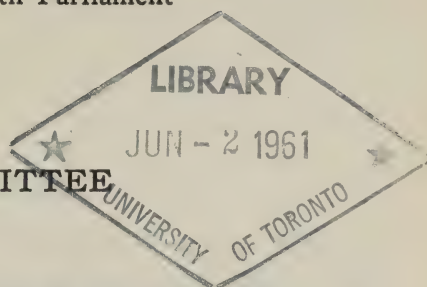
No. 91 COMBINE	1959	1960
	%	%
MATERIALS		
Raw Materials (Steel, wood, cotton duck, pipe and tubing).....	8.14	8.28
Finished Materials (Engine, wheel, tires, chain, belts, bearings, gears).....	51.34	49.70
Burden Materials (Machine tool repair parts, cutting tools, abrasives, cutting oils, miscellaneous supplies, etc.).....	2.58	2.70
Receiving and Shipping Materials.....	.38	.31
Total Materials.....	62.44	60.99
LABOR		
Factory Wages.....	17.71	19.02
Salaries (Foremen, Purchasing, Industrial Relations, Planning, Accounting, Material Control, etc.).....	5.26	5.49
Fringe Benefits (Welfare Plans, Vacation Plans, etc.).....	5.56	5.83
Receiving and Shipping Labor.....	1.54	1.63
Total Labor.....	30.07	31.97
ALL OTHER (OVERHEAD)*		
Depreciation, Insurance, Real Estate Taxes, Utilities, Fuel, Product Engineering, etc.).....	7.49	7.04
Total Cost.....	100%	100%

* Labor and material costs have been extracted from overhead, except in the case of Product Engineering.

Hamilton Farm Equipment Works
Accounting Department
May 10, 1961

HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament
1960-61



STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

Respecting

PRICES OF FARM MACHINERY

FRIDAY, MAY 19, 1961

WITNESSES:

From the Government of Saskatchewan: Hon. I. C. Nollet, Minister of Agriculture; Mr. J. T. Kyle, Director, Agricultural Machinery Administration and Mr. C. J. Wenaas, Economist, Economic Advisory and Planning Board.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

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and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Régnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Rompré
Danforth	Korchinski	Slogan
Doucett	Latour	Smith (<i>Lincoln</i>)
Drouin	Leduc	Southam
Dubois	McIntosh	Stefanson
Dupuis	Michaud	Tardif
Fane	Milligan	Thomas
Forbes	Montgomery	Thompson
Forgie	Muir (<i>Lisgar</i>)	Tucker
Godin	Nasserden	Villeneuve
Gundlock	Noble	Webb—60.

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

ORDER OF REFERENCE

THURSDAY, May 18, 1961.

Ordered,—That the name of Mr. Slogan be substituted for that of Mr. Horner (*The Battlefords*) on the Standing Committee on Agriculture and Colonization.

Attest.

Léon-J. Raymond,
Clerk of the House.

MINUTES OF THE PROCEEDINGS

FRIDAY, May 19, 1961.

(18)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Argue, Badanai, Boulanger, Clancy, Cooper, Danforth, Doucett, Fane, Forbes, Hales, Henderson, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Kindt, Knowles, Korchinski, McBain, Mandziuk, Milligan, Montgomery, Muir (*Lisgar*), Pascoe, Peters, Rapp, Régnier, Rompré, Slogan, Smallwood, Southam, Stefanson, Tucker, Villeneuve and Webb.—(34)

In attendance: From the Government of Saskatchewan: Hon. I. C. Nollet, Minister of Agriculture; Mr. J. T. Kyle, Director, Agricultural Machinery Administration and Mr. C. J. Wenaas, Economist, Economic Advisory and Planning Board.

Agreed,—to take the brief as read and print it in this day's Minutes of Proceedings and Evidence.

The Chairman introduced the representatives of the Government of Saskatchewan.

Hon. Mr. Nollet read a statement which condensed the information in the Government of Saskatchewan's brief.

The Committee questioned the officials of the Government of Saskatchewan on their brief.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING

(19)

The Committee reconvened at 2.35 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Argue, Boulanger, Clancy, Clermont, Cooper, Danforth, Fane, Forbes, Forgie, Gundlock, Hales, Henderson, Horner (*Acadia*), Horner (*Jasper-Edson*), Knowles, Korchinski, McBain, Mandziuk, Montgomery, Muir (*Lisgar*), Pascoe, Peters, Rapp, Régnier, Ricard, Rogers, Rompré, Slogan, Smallwood, Southam, Stefanson, Tardif, Thompson, Tucker, Villeneuve, and Webb.—(36)

In attendance: Same as at morning sitting.

The questioning of the officials of the Government of Saskatchewan was concluded.

Agreed,—That the Regulations under The Agricultural Machinery Act, 1958 of the Government of Saskatchewan be made an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "A"*)

Agreed,—That an act respecting the Sale and Testing of Agricultural Machinery of the Government of Saskatchewan be made an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "B"*)

On behalf of the Committee, the Chairman thanked the representatives of the Government of Saskatchewan for their appearance.

At 6.00 p.m. the Committee adjourned until Monday, May 22, at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

FRIDAY, May 19, 1961.

The CHAIRMAN: Gentlemen, we have a quorum with us this morning. We have here this morning representatives from the government of Saskatchewan in the person of the honourable I. C. Nollet, the minister of agriculture, who is on my right. Sitting next to him is Mr. J. T. Kyle, director of agriculture, who is also agricultural machinery administrator. On the corner is Mr. Wenaas, the economist to the economic advisory and planning board.

Gentlemen, this morning your brief, as you no doubt know, is quite lengthy. We hope many of you will have had the opportunity to read it quite thoroughly as it has been in your hands for some time. Would it be agreeable to accept this brief as read, so that it will be in today's proceedings?

Mr. HORNER (*Acadia*): Before this is agreed to, may I ask if we can put questions? If it is to be included in the committee's proceedings, can we ask questions on any part of the brief?

The CHAIRMAN: Mr. Nollet has a condensed statement to make on the brief. If we accept the brief as read, we can then take it and questions can be asked section by section. Is it agreed now that the brief be taken as read and inserted in today's proceedings?

Agreed.

(Editor's Note: The brief, to which reference is made, is as follows:)

SECTION I

FARM MECHANIZATION

The Nature of the Problem

We very much appreciate the opportunity to make this submission regarding farm machinery prices. We trust that our statement will make a useful contribution to the deliberations of the committee and assist in arriving at recommendations that will be of benefit to Canadian agriculture and thus of benefit to the Canadian economy as a whole.

The advances in agricultural mechanization in Canada are familiar enough. In less than half a century farming has been transformed from an industry in which there was almost complete reliance on animal and human power to one in which the need for animal power has been practically eliminated in wide sectors and human labour plays a much less significant role. The very heavy investment in farm machinery involved in this development has brought about profound changes in the composition of farm costs. Canadian agriculture is more vulnerable than ever before to the level of farm machinery prices. At the same time since mechanization brings about an increased inflexibility of farm costs, Canadian agriculture is also more vulnerable to any decline in the price levels of farm products. It is thus by no means accidental that so much anxious attention has been concentrated on the farm price-cost squeeze.

In our view, one must consider the question of farm machinery prices in this economic setting of the increasing disparity between farm product prices and farm costs generally that has been true of the last decade. For instance, the index of farm prices of agricultural products in Saskatchewan has dropped

14 per cent since 1948 (on basis of estimated final grain prices for 1960) while the composite index of farm costs for western Canada (exclusive of living component) has climbed by 43 per cent. It is true that farm prices generally rose from 1948 to 1951 (with the most important exception being wheat) but even during those years farm costs rose faster and have continued to rise while farm prices have fallen since 1951. Steadily and inexorably this price-cost vise has been tightening (see table 1).

But for Saskatchewan agriculture the problem assumes more critical proportions since the price of wheat, the most important single commodity in the provincial agricultural economy, did not rise even in the 1946-51 period when most other farm products did show price increases (see table A-1, appendix A). Thus the relationship between wheat prices and farm costs has changed even more than the general index of farm prices would indicate.

TABLE 1
FARM PRICE AND COST LEVELS, SASKATCHEWAN, 1945-1960

	Index of Farm Prices of Agricultural Products, Saskatchewan	Complete Index of Farms Costs, Exclusive of Living Component, Western Canada
	(1945 = 100) ¹	(1945 = 100) ¹
1945.....	100.0	100.0
1946.....	112.8	103.4
1947.....	117.4	111.7
1948.....	128.3	128.0
1949.....	129.2	134.1
1950.....	130.6	139.3
1951.....	139.5	151.7
1952.....	127.7	160.6
1953.....	118.7	159.7
1954.....	108.4	158.6
1955.....	105.7	157.9
1956.....	108.3	163.7
1957.....	104.7	168.9
1958.....	111.4	173.3
1959.....	113.4 ²	178.9
1960.....	112.7 ²	182.6

Source: D.B.S. Index Numbers of Farm Prices of Agricultural Products; D.B.S. Price Index Numbers of Commodities and Services used by farmers.

¹ 1935-1939 = 100 converted to 1945 base.

² Based on estimated interim and final payments for wheat of 22 cents for the crop years 1959-60 and 1960-61 and estimated final payments of 8 cents per bushel for barley for the crop years 1959-60 and 1960-61 and 9 cents per bushel for oats for the crop year 1960-61.

Then, too, farm machinery prices have risen more rapidly than other farm costs, so that the relationship between wheat prices and farm machinery prices has registered a truly phenomenal change (see table 2). Thus, while the general indices of farm prices and farm costs in the province indicate that a unit of farm production was worth, in terms of general farm costs, only 60 per cent in 1960 of what it was in 1945, a bushel of wheat in 1960 (assuming interim and final payment of 22 cents per bushel for 1960-61 crop year) will buy only 38 per cent of what it would buy in 1945 in terms of farm machinery. In other words, if it took 1,000 bushels of wheat in 1945 to buy a unit of farm machinery it would on this basis require 2,600 bushels of wheat to buy the equivalent unit in 1960.

TABLE 2

INDEX NUMBERS OF COMMODITIES AND SERVICES USED BY FARMERS,
1945, 1960 WESTERN CANADA
(1945 = 100)

	1960
Farm Costs, Exclusive of Living Component.....	183
Farm Family Living Costs.....	180
Farm Wage Rates.....	187
Tax and Interest Rates.....	170
Equipment and Materials.....	185
Equipment and Materials Components:	
Farm Machinery ¹	219
Building Materials.....	204
Gasoline, Oil, Grease.....	136
Fertilizer.....	167
Seed.....	155
Hardware.....	207

SOURCE: D.B.S. Price Index Numbers of Commodities and Services Used by Farmers 1913 to 1948. The 1935-39 index has been converted to the 1945 base.

¹ It should be noted that the index of farm machinery prices based as it is on a 1938 survey of farmer's operating costs has been left behind by the pace of technological change in agriculture. For instance, binders are given one-eighth of the total weight of the western Canadian index, fully as much as tractors. Combines are given a very low weight (2 out of 78.5 points) and only one-sixth of that of mowers.

Furthermore, unless there is decisive action by the federal government, the prospects are for continued deterioration in this ratio. There seems little prospect of prices for wheat, or indeed of almost any farm product, showing a significant and sustained upward trend in the foreseeable future. On the other hand, farm machinery prices and farm costs generally show every sign of continuing to increase. Moreover, since in all but one year since 1948 farm machinery prices have been increasing faster than general farm costs, it is likely that this too will be a trend in the future (see table A-2, appendix A).

Of course, it seems quite clear that had the prices of farm products advanced in common with other prices in the Canadian economy, increases in farm costs and more specifically in farm machinery prices would not have constituted the heavy burden that they do today. The essential problem, in our view, is that agriculture is one of the few remaining competitive areas in the economy facing an array of monopolistic or price-administered industries, and therefore its bargaining position in the market is weak. For instance, even though agriculture has shown in the post-war period the most rapid increase in productivity of any sector of the Canadian economy,¹ farm income has lagged behind that of the rest of the nation because farmers have very little control over the selling prices of their products. Thus, although any farm machinery price reductions would have important benefits, they would not be fully realized unless fundamental marketing adjustments and pricing policies are adopted by the federal government to enable agriculture to obtain a fair share of the national income. We have urged the adoption of such policies on numerous occasions although we are not repeating them in detail now since the committee is directing its attention specifically to the question of farm machinery prices.

Before considering the possible avenues along which farm machinery costs might be reduced, we feel it would be appropriate to review briefly the pattern

¹ The Canadian Bank of Commerce, August 14, 1959.

of mechanization in Canada and in Saskatchewan and to indicate the critical stage at which we believe this now stands in the prairie provinces and particularly in Saskatchewan as a result of depressed farm income.

Patterns of Farm Mechanization

The growing extent of farm mechanization is shown in the increase in the total capital invested in farm machinery, in the increased proportion farm implement capital now bears to total farm capital, in the increased number of farm implements per farm unit and per member of the farm labour force and in increased agricultural production capability in spite of a reduction in the farm labour force.

Investment in farm implements and machinery in Canada has increased more than three-fold in actual dollar values since 1921, and from 10 per cent of total farm capital in 1921 to 19 per cent in 1959. The same trend is apparent for Saskatchewan (see Table 3).

TABLE 3
VALUE OF FARM IMPLEMENTS AND MACHINERY¹, 1921-1959

	Value		Value Percentage of Total Farm Capital	
	Canada	Saskatchewan	Canada	Saskatchewan
	(\$000,000)			
1921.....	665	177	10.1	10.7
1931.....	651	186	12.4	14.6
1941.....	596	143	14.1	15.9
1951.....	1,933	526	20.4	26.4
1959.....	2,189	517	19.3	22.9

SOURCE: 1911-1951—D.B.S., Census of Canada; 1959—D.B.S. Quarterly Bulletin of Agricultural Statistics.

¹ In all years except 1921, value of farm implements and machinery includes value of automobiles.

It is well-known that the number of farm tractors, grain combines and motor vehicles has increased greatly in the past 25 years, (see tables A-3 and A-4, appendix A) while the number of farms and the agricultural labour force has declined. The number of various farm implements (motor trucks, tractors and grain combines) and also the total value of farm implements in relation to the agricultural labour force is higher in Saskatchewan than for any other province (see table A-5, appendix A). Similarly the percentage of farms reporting these farm implements is highest in Saskatchewan (see table A-6, appendix A). In addition, the ratio of the value of farm implements and machinery to the value of total farm capital was higher in 1951 for Saskatchewan than for any other province although by 1959 it had slipped slightly below that of Manitoba (see table A-7, appendix A).

Nevertheless, although it may be said on this basis that Saskatchewan agriculture has a paramount interest in farm machinery prices, we recognize that in recent years the pace of farm mechanization particularly in provinces like Ontario and Quebec has been greater than in Saskatchewan (see table A-8, appendix A). This means that there is a much wider common interest among farmers throughout Canada than has been the case in the past. This is indicated by the similarity of comments being made by farm groups in the Atlantic provinces, Ontario and Quebec to those made by farm groups in Saskatchewan

or the other Prairie provinces. Therefore, we believe that much we will have to say will have general application even though we may be referring specifically to Saskatchewan examples. Although different types of machines may be used in different sectors of agriculture we suggest that there are certain cost principles that are common to all.

Impact of Farm Machinery Prices on Farm Costs

We have already pointed out the rather alarming fact that, during the very period agriculture was becoming most vulnerable to the level of farm machinery prices, farm machinery prices have been increasing more rapidly than other farm costs. The index of farm machinery prices has more than doubled since the end of the war climbing particularly sharply from 1947 to 1951, continuing to rise from 1952 to 1955 but at a rate of less than one per cent a year and resuming a more rapid upward advance in 1956 although at a rate somewhat below that of the 1947-51 period (see table 4).

TABLE 4

INDEX OF FARM MACHINERY PRICES, WESTERN CANADA
(1945 = 100¹)

Year	
1945	100.0
1946	103.1
1947	109.7
1948	123.1
1949	137.5
1950	143.8
1951	162.7
1952	170.3
1953	171.6
1954	172.9
1955	173.5
1956	182.2
1957	194.0
1958	204.8
1959	214.4
1960	219.4

Source: D.B.S. Price Index Numbers of Commodities and Services used by Farmers.

¹ 1935-39 = 100 converted to 1945 base.

It may be represented before this committee that although a farm machine may cost more today it is more efficient than the machine produced fifteen years ago and that this compensates to a very great extent for higher prices. Certainly some increase in efficiency has taken place although we doubt whether anyone could establish beyond dispute the extent of such an increase. However, to avoid such a controversy our agricultural machinery administration has selected farm machines that have been changed only slightly (only in features such as different bearings, etc.) over a period of some years and made price comparisons of these machines (see table 5). This confirms the view that farm machinery prices have increased substantially, price increases that cannot be explained away as being due to better machinery.

TABLE 5
PRICE INCREASES IN UNCHANGED FARM MACHINES
(f.o.b. factory)

Name and Type of Machine	List Prices in Years Indicated	Price Increase		Same Period Increase in Index of Farm Prices, Western Canada
		%	%	
Cockshutt No. 2—12 ft. swather.....	Year: 1950; 1960 Price: \$545; \$899	65		53
Cockshutt No. 2—15 ft. swather.....	Year: 1950; 1960 Price: \$625; \$999	60		53
Minneapolis-Moline—8 ft. one-way disk	Year: 1949; 1960 Price: \$450; \$725	67		60
Allis-Chalmers Model WD Tractor....	Year: 1953; 1959 Price: \$2,245; \$2,675	19		25
John Deere 16 foot swather.....	Year: 1953; 1960 Price: \$816; \$1,030	26		28
J.I. Case—Side-delivery Rake.....	Year: 1952; 1960 Price: \$265; \$363	48		29
John Deere Hammer Mill.....	Year: 1953; 1960 Price: \$263; \$345	31		28
John Deere Cultivator (Tool Carrier)...	Year: 1953; 1960 Price: \$293; \$380	30		28

SOURCE: Company price lists.

In most cases these unchanged machines have shown a price increase greater than the increase in the D.B.S. index of farm machinery prices in the same period suggesting that the index may be minimizing the actual price increases taking place. It is widely recognized that this index is seriously out of date based as it is on farm machinery use in 1938, and we welcome the information that a new index based on much more recent data is now being prepared. In this connection we would urge that the dominion bureau of statistics give consideration to a regular decennial revision of the farm machinery price index.

Similarly a number of repair parts were selected that have not been changed in basic design. Again we obtain the same results: very considerable price increases in some cases exceeding by a wide margin the increase in the index of farm machinery prices for the same period (see table 6).

We now turn to the impact of these higher farm machinery prices on farm costs. This is difficult to measure precisely because both increased mechanization and higher farm machinery prices have operated since the end of World War II to increase expenditures on farm machinery. The tripling of farm machinery depreciation costs in Saskatchewan from \$22 million in 1945 to the peak of \$67 million in 1954 must obviously be due to both factors. During the same period, farm machinery operating costs doubled from \$47 million to \$98 million also a reflection of increased mechanization and of the more moderate increases in fuel prices. Since that time due to reduced farm machinery purchases, the value of farm implements and equipment in Saskatchewan has

TABLE 6

PRICE INCREASES IN UNCHANGED FARM MACHINE REPAIR PARTS
(f.o.b. factory)

Name and Type of Machine	Part Number	List Prices in Years Indicated		Price Increase	Same Period Increase in Index of Farm Machinery Prices, Western Canada
	Sprocket 2200k	Year: 1952; Price: \$4.38;	1960 \$7.69	% 75	% 29
Minneapolis-Moline... G-4 Combine.....	Roller 19A359A	Year: 1952; Price: \$15.25;	1960 \$24.78	62	29
	Guard 3437HC	Year: 1952; Price: \$1.20;	1960 \$1.85	54	29
John Deere Combine... Pick-Up.....	Sprocket PK302H	Year: 1950; Price: \$1.09;	1960 \$1.34	23	53
John Deere Power.... Mower.....	KnifeHead A2952H	Year: 1950; Price: \$4.10;	1960 \$7.85	91	53
John Deere Swather... (16 foot).....	Knife AP 166IM	Year: 1950; Price: \$14.95;	1960 \$36.52	144	53

SOURCE: Company price lists.

declined and therefore machinery depreciation charges have also been reduced while machinery operating expenditures have continued to increase (see table A-9, appendix A).

This has considerably increased the proportion of total farm costs going to meet farm machinery expenses. From somewhat under 45 per cent in the 1945-49 period this has risen to over 55 per cent in the 1955-59 period (see table 7). But even more significant is the sharp increase in the percentage of farm cash income required to meet the farm machinery bill, an increase from under one-fifth in the immediate post-war period to almost a third in the most recent period (see table 7). At the same time other farm costs have absorbed about the same proportion of farm cash income throughout the period so that total farm operating and depreciation charges have been taking a larger and larger share of gross cash income.

Of the various components of farm operating costs in Saskatchewan, costs associated with land and buildings have gone up only moderately while payments to hired labour have remained relatively stable throughout the 1945-1959 period (see table A-10, appendix A).

The important place of farm machinery costs is also emphasized by the 1959 *Saskatchewan Farm Business Summary*¹ which provides a detailed cost and income analysis of 455 Saskatchewan farmers organized in 42 farm management clubs. This indicates that in 1959 farm machinery costs amounted to 33 per cent of cash operating receipts which compares to an estimated 32 per cent of farm cash income for the same year estimated by the dominion bureau of statistics (see table A-9, appendix A). It should be noted that an allowance

¹Extension Report No. 2, Part 2, published by farm management division, agriculture representative branch, department of Agriculture, province of Saskatchewan.

TABLE 7
FARM OPERATING COSTS AND DEPRECIATION CHARGES, AND FARM
CASH INCOME, SASKATCHEWAN, BY FIVE-YEAR PERIODS, 1945-1959
(\$000)

	Average 1945-49	Average 1950-54	Average 1955-59
Total Farm Operating Costs and Depreciation Charges	201,715	291,297	310,993
Farm Machinery Operating Costs and Depreciation Charges	89,891	151,555	172,436
Farm Machinery Operating Costs and Depreciation Charges as Percentage of Total Operating Costs and Depreciation Charges	44.6	52.0	55.4
Farm Cash Income from Farm Products	464,581	596,135	538,831
Farm Machinery Operating Costs and Depreciation Charges as Percentage of Farm Cash Income	19.3	25.4	32.0
Total Farm Operating Costs and Depreciation Charges as Percentage of Farm Cash Income	43.4	48.9	57.7

SOURCE: See Table A-9, Appendix A.

of a five per cent return on investment was included in the *Farm Business Summary's* calculations of farm machinery costs while this is not included in the D.B.S. estimate. In addition, a five per cent return on other farm investment was included in total farm operating costs as was a farm operators' wage allowance and an allowance for unpaid family labour.

This study indicates that the proportion of farm machinery costs to total costs tends to rise as farm size increases up to 1120 acres and then remains stable (see table 8). In actual terms farm machinery costs per cultivated acre have showed a continuous decline as farms have increased in size.

TABLE 8
FARM MACHINERY COSTS IN RELATION TO TOTAL FARM OPERATING COSTS,
BY SIZE OF FARM, SASKATCHEWAN

	Size of Farm (acres)					Total
	480 or Less	481 to 800	801 to 1120	1121 to 1440	Over 1440	
No. of Farms	114	167	111	45	18	455
<i>Cost Item: (Per Cultivated Acre)</i>						
Car	1.14	.82	.69	.57	.47	.74
Truck	.85	.86	.84	.90	.77	.85
Tractor	1.80	1.51	1.35	1.13	1.12	1.40
Combine	.69	.72	.66	.63	.51	.66
Other Machinery	1.73	1.46	1.29	1.27	1.05	1.37
Total Machinery	6.21	5.37	4.83	4.50	3.92	5.02
Total Cost	24.15	18.87	16.66	15.41	13.48	17.76
Total Machinery as Percentage of Total Cost	25.7	28.5	29.0	29.2	29.1	28.3

SOURCE: 1959 *Saskatchewan Farm Business Summary* extension report No. 2, part 2, tables V, VI and VII.

Perhaps the effect of farm machinery price increases can be most clearly demonstrated by relating sales of new farm machinery and equipment to that portion of farm cash income that may be deemed to be "available" for farm machinery purchases. "Available" farm cash income has been assumed to be cash income from farm products less farm operating expenses¹.

The value in both current dollars and constant (1945) dollars of sales of farm machinery in Saskatchewan increased every year with only one exception from 1945 to 1953. The sharp decline of "available" farm cash income in 1954 and the continued decline in 1955 led to a similarly sharp decline in farm machinery purchases in those years but farm machinery sales in current dollars continued to absorb almost as high a percentage of "available" farm cash income as during the preceding period (see table 9). Again in 1959, the share of "available" farm cash income being spent on farm machinery had risen to pre-1954 levels but it was not sufficient, as will be indicated in the next section, to prevent a continuing decline in the value of the stock of farm implements. The notable factor is that in terms of constant (1945) dollars retail sales of farm implements and equipment since 1954 have been consistently at end of war levels.

The State of Capital Investment in Farm Implements

Of critical importance to the welfare of agriculture is the condition of its capital equipment. As we have already suggested this is more significant today than it has ever been because of increased mechanization. Therefore, it is particularly alarming to see that since 1954 under the impact of sharply reduced farm income and rising farm costs there has been a very considerable deterioration in the condition of farm implements and equipment in western Canada (see table 10). This is a reflection of sharply reduced purchases of farm implements by farmers who have had to postpone replacing their farm implements. It has been necessary for them to spend income on operating expenses or on family living expenses which should have been allocated to capital account.

In just five years from 1954 to 1959, the estimated value of the stock of farm implements has fallen by \$166 million for the prairie provinces and \$93 million for Saskatchewan alone. In other words Saskatchewan farmers have been forced to use almost \$100 million of their capital in order to maintain current expenditures. Moreover, this does not take into account the levels to which investment in farm implements and equipment might have risen in the absence of adverse economic circumstances nor is there any allowance made for the continuing increase in farm machinery prices. Therefore if it were possible to measure in terms of dollars the setback to farm mechanization in the western provinces occasioned by the price-cost squeeze, it should be considerably larger than the amounts indicated.

Highlighting and corroborating the decline in the value of farm implements and equipment in the prairie provinces are studies we have conducted of the average age of tractors and combines on the farm in Saskatchewan and in the prairie provinces as a whole. Tractors and combines make up the two largest single components of farm implement sales.

These studies show a marked increase in the average age of tractors and combines in the past four years. The estimated average age of tractors in the prairie provinces has climbed from 6.3 years in 1956 to 8.5 years in 1960 (see

¹ Farm family living expenses should also be deducted but there are formidable difficulties in estimating them. In addition, in doing so, it would be necessary to make some allowance for non-farm income such as family allowances. Supplementary payments such as P.F.A.A. have also been excluded from "available" farm cash income since the attempt is being made to relate farm machinery purchases to income derived directly from agriculture. In any event, the inclusion of P.F.A.A. payments would not affect the results to any significant extent.

TABLE 9

SALES OF NEW FARM MACHINERY IN RELATION TO CASH INCOME FROM FARM PRODUCTS, SASKATCHEWAN, 1945-1959

	Cash Income from Farm Products less Operating Expenses	Sales of New Farm Machinery and Equipment (Excluding Repair Parts) ¹		Sales of New Farm Machinery and Equipment as Percentage of Cash Income from Farm Products less Operating Expenses
		(retail values)		
		Current Dollars	Constant (1945) Dollars ²	
	(\$000)	(\$000)	(\$000)	
1945.....	266,740	22,018	22,018	8.3
1946.....	239,023	24,766	24,021	10.4
1947.....	266,342	40,711	35,111	15.3
1948.....	353,161	56,715	46,072	16.1
1949.....	374,522	72,718	52,886	19.4
1950.....	208,814	76,377	53,113	36.6
1951.....	414,702	74,571	45,833	18.0
1952.....	467,616	92,512	54,323	19.8
1953.....	512,647	97,968	57,224	19.1
1954.....	262,527	45,576	26,360	17.4
1955.....	197,769	39,555	22,798	20.0
1956.....	353,157	49,694	27,274	14.1
1957.....	301,617	39,191	20,202	13.0
1958.....	332,015	45,006	21,976	13.6
1959.....	308,641	61,611	28,736	20.0

SOURCE: D.B.S. Handbook of Agricultural Statistics, Part II, Farm Income, 1926-1957; D.B.S. Farm Net Income, 1958 and 1959; D.B.S. Farm Implement and Equipment Sales.

¹ Wholesale values plus markup of approximately 22 per cent.

² Deflated by D.B.S. Index of Farm Machinery Prices, Western Canada.

TABLE 10

VALUE OF FARM IMPLEMENTS AND EQUIPMENT¹

(as at June 1 of each year)

Year	Prairie Provinces	Saskatchewan
	(\$000)	(\$000)
1954.....	1,314,626	609,934
1959.....	1,148,281	516,903
Decline 1954-1959.....	166,345	93,031

SOURCE: D.B.S. Quarterly Bulletin of Agricultural Statistics, January-March, 1959; April-June, 1960.

¹ Includes farm trucks and automobiles.

appendix C). For tractors in Saskatchewan the estimated average age has increased from 7.5 years in 1956 to 9.5 years in 1960 (see appendix B). At June 1, 1960, in the prairie provinces it is estimated that over a third of the tractors were eleven or more years old while for Saskatchewan an estimated

45 per cent of the tractors were eleven or more years old and less than 20 per cent were five years old or less. When set off against the estimated average life of tractors of 14 years¹ this gives a clear indication that a great many tractors should be replaced within the very near future.

The same disturbing situation exists in combines. Between 1956 and 1960 the average age of combines in the prairie provinces increased from 6.4 years to 9.0 years while those in Saskatchewan increased from 7.9 years to 9.7 years (see appendices D and E). Indeed, this study indicates that the average age of combines in Saskatchewan will stand at 10.1 years at June 1, 1961, while that in the prairie provinces will have increased to 9.5 years. Similarly at June 1, 1961, 41 per cent of the combines in the prairie provinces will be 11 years old or over while for Saskatchewan 45 per cent will be 11 years old or over. This compares with an estimated average life of 10 to 11 years for combines.² Only about 18 per cent of the combines in the prairie provinces and 15 per cent of the combines in Saskatchewan will be 5 years old or less.

We may verify these conclusions by considering the average annual sales of tractors and combines in the past four years in relation to the stock of tractors and combines on the farm in 1956. If annual sales were to remain at this level in the future it would take 27 years before the 1956 stock of tractors in Saskatchewan would be replaced and 30 years in the case of combines (see table 11). The comparable figures for the prairie provinces are 26 years in the case of tractors and 24 years in the case of combines. When compared to the estimated average life of these machines, it is apparent that sales are very much below replacement levels.

TABLE 11

STOCK OF TRACTORS AND COMBINES, AND RATE OF REPLACEMENT

	Stock on Farm (as at June 1 1956)	Average Annual Sales Since 1956 ¹	Estimated Replacement Time (years)
Prairie Provinces			
Tractors.....	274,809	10,679	26
Combines.....	116,817	4,776	24
Saskatchewan			
Tractors.....	121,388	4,484	27
Combines.....	61,861	2,089	30

SOURCE: D.B.S. Census of Canada; D.B.S. Farm Implements and Equipment Sales.

¹ Annual sales estimated on basis census year June 1-May 31.

Clearly unless farm machinery sales rise very considerably above present levels the farmers' stock of equipment will continue to deteriorate. At some time in the not too distant future, sales must make up for the reduction in investment that has taken place in the last few years. The trend in farm machinery prices indicates that the longer this is postponed the greater will be the replacement cost to Canadian agriculture. At the present time the conjuncture of economic circumstances makes the question of farm machinery prices one of urgent concern not only to agriculture but to the Canadian economy as a whole.

¹ M. K. Scott, *Farm Power and Machinery Costs in Alberta, 1950*, Economics Division, Canada Department of Agriculture, Ottawa, 1952.

² *Ibid.*

Possible Reductions in Farm Machinery Costs

We believe that there are five principal areas in which reductions in farm machinery costs might take place, at the manufacturing level, in transportation, in distribution, in the realm of credit costs and then once in the farmers' hands in the degree of efficiency with which the machine is employed and its suitability and durability. We have not attempted to go into the question of the factors that enter into the costs of the materials used in manufacturing since this would require an analysis of the whole economy. It must also be understood that it has not been possible to make as thorough and detailed a study as we would like so that it has been necessary to deal sketchily or not at all with some problems that are of concern.

SECTION II

FACTORY PRICES OF FARM MACHINERY

The government of Saskatchewan has not had access to the detailed information that would be necessary to determine whether the factory prices of farm machinery are justified by the costs of manufacture since almost the entire Canadian farm implement industry is situated in Ontario. The problems that this fact has posed are indicated by the experience of the special committee of the Saskatchewan legislature set up in 1952 to consider farm machinery prices. This committee sought to obtain from farm machinery companies the kind of cost breakdown necessary to a thorough analysis of manufacturing costs, but the companies refused to supply the necessary information. Furthermore, since the companies were beyond the jurisdiction of the province of Saskatchewan, the legislative committee could not require company witnesses to appear before it so that this aspect of the committee's study was made impossible to complete. Therefore we would strongly urge this committee to use its wider authority to require the farm machinery companies to supply such cost data.

In the absence of such information regarding present-day manufacturing costs, we would like to make certain observations and recommendations based on evidence submitted to, and conclusions of, other legislative committees both in Canada and the United States and on studies and observations of the agricultural machinery administration in Saskatchewan. In addition, we shall refer to an analysis that we have made of the annual financial statements of two farm machinery companies which brings up to date a study that was authorized by the special committee on farm implements of the Saskatchewan legislature in 1952.

The Nature of Farm Machinery Manufacturing

There is little question that the farm machinery industry is dominated by a few firms and that this offers farm implement companies abundant opportunities to charge unreasonably high prices. Every study that has been made of the industry has provided testimony for this view. For instance, the 1937 House of Commons committee on farm implement prices concluded in its report that:

The lack of free price competition in this industry (the farm machinery industry) as in many other industries, is one of the real problems in modern economic life. From the standpoint of the business executives, free price competition was not a satisfactory condition and escape from it was one of the salient reasons for the formation of large corporate units by amalgamation of smaller previously existing

companies. From the consumer's standpoint, however, it is apparent that this has resulted in higher and less flexible prices for the commodities which he has to purchase.¹

The Committee found that:

The four major companies to which the committee has directed its attention have thus supplied between them approximately three-quarters of the farmers' needs in respect to farm implements and machines and parts therefor, in the ten-year period ending in 1935.²

It was found that International Harvester Company alone obtained one-third of total sales.

The conclusions of United States committees are relevant too since Canadian agriculture is heavily dependent on United States sources for many farm implements. The U. S. House of Representatives small business committee in its study entitled *United States versus Economic Concentration and Monopoly* found that: "Concentration is marked in the agricultural machinery industry as evidenced, for example, by the recurring federal trade commission investigations.³ It indicated that the four largest companies handled 84 per cent of all tractor shipments in the first quarter of 1945 and the eight largest companies accounted for 97 per cent. There was relatively less concentration in respect of other farm implements with the largest four companies accounting for 40 per cent of all the shipments of agricultural machinery in the first quarter of 1945 according to the committee report.

The report of the United States federal trade commission on manufacture and distribution of farm implements in 1948 dealt at some length with the matter of industrial concentration. It indicated that:

Each of the present important long-line farm machinery companies is the combined result of acquisitions and mergers and of the development of new items of equipment within the lines of the different companies

and added,

... as the big companies have grown to their present stature, the number of manufacturers of shorter lines has steadily dwindled.⁴

It referred to two distinct phases of consolidation, stating:

The first occurred just after 1900 and was characterized by monopolistic combinations under single corporate control of the principal companies previously making particular lines of implements... This type of combination effectively eliminated competition among the companies merged and placed them in such a dominant position that no single independent company would be financially able to survive a serious competitive struggle with the combination.⁵

Then, the United States federal trade commission reported that the second phase consisted of lengthening the lines of implements supplied by these great combinations and then insisting that their dealers do not handle competing manufacturer's machines.

¹ Minutes and Proceedings of Evidence, Special House of Commons Committee on Farm Implement Prices, 1937, p. 1264.

² Ibid, p. 1219.

³ *United States versus Economic Concentration and Monopoly*, Report of United States House of Representatives Small Business Committee, 1946, p. 116.

⁴ Report of the United States Federal Trade Commission on Manufacture and Distribution of Farm Implements, 1948, p. 2.

⁵ Ibid, p. 33.

The report indicated that:

This in turn made it increasingly difficult for even the strongest short-line companies remaining in the trade to obtain competent dealers. Lacking volume to support wide distribution of their own, many well-known short-line companies either sold their plants and businesses to the big companies or went out of the business altogether either through bankruptcy route or by shifting to other lines.¹

The indications are that the farm machinery industry is no less concentrated today than in the immediate post-war period. Indeed the merger of two second rank United States farm machinery companies in 1951 would suggest that the process of consolidation and concentration has by no means come to an end. The Canadian farm machinery industry is even more highly concentrated as is typical of almost any Canadian manufacturing industry when compared with its United States counterparts. For instance, in 1958, five establishments produced 84 per cent by value of factory shipments in Canada.²

Agriculture is one of the very few productive industries in Canada that finds itself unable to bargain effectively for the capital goods upon which it depends. Most other goods-producing industries are themselves dominated by a few firms and so are able to negotiate to some purpose for price reductions in the capital goods they require.³ Agriculture almost alone among the sectors of production requires special measures to assure it from being exploited by the powerful agents with which it must deal. We will suggest a number of means that might be adopted to do this.

First of all, we would not recommend the breaking up into smaller units of the large farm machinery companies. There is every indication reinforced by the 1948 report of the United States federal trade commission on farm implements that the consolidations of the industry involved substantial economies in production and eliminated considerable waste in competitive trade practices. Our aim is not to undo the steps that have been taken to reduce the costs of production but is to assure agriculture that it will not be exploited by the increased bargaining power of an industry on which it is so dependent and that it will be able to obtain more of the benefits of the savings accruing to the farm machinery industry.

Profit Levels in the Industry

There is considerable evidence to indicate that the farm machinery companies have used their position to exact a high tribute from time to time in the past. This view won support in 1937 from the special House of Commons committee on farm machinery prices which declared as one of its findings that the price of farm machinery has been unjustifiably high over the preceding quarter-century.

Similarly the special committee on farm implements of the Saskatchewan legislature found that:

Evidence submitted to the committee indicated that the manufacturing companies have made very high profits in the past few years and particularly since the removal of price controls in 1947.⁴

¹ Ibid, p. 34.

² Source: D.B.S., *The Agricultural Implements Industry*, 1958. The breakdown by value of factory shipments is given by establishments and not by companies. Indications are that these five establishments are owned by three or four companies.

³ J. K. Galbraith, *American Capitalism, The Concept of Countervailing Power*, Houghton Mifflin Publishing Co., 1952.

⁴ Report of the Special Committee on Farm Implements, Legislature of Saskatchewan, 1952. p. 35.

As an illustration of the profit position in the farm implement field, statements of earnings and dividends were prepared of two firms which make up a large proportion of Canadian production and sales of farm implements, namely the Cockshutt Farm Implement Company and the Massey-Ferguson Company. These are based upon the published financial reports of the companies and may be found in appendix F.

These indicate that since 1946 there have been two distinct periods as far as profitability is concerned and that there have been considerable differences in the rate of earnings between Cockshutt Farm Equipment Limited and its considerably larger competitor, Massey-Fergusson Limited. (An analysis of the gross operating profit of the Canadian farm implement industry is also available in table F-7, appendix F.)

From 1947 when price controls were lifted to 1952 the earnings of these companies were to say the least remarkable. The return before taxes on the total invested capital rose to a peak of 38.3 per cent in 1950 for Massey-Ferguson and 34.5 per cent in 1949 for Cockshutt Farm. The return on stockholders' investment in Massey-Ferguson Limited climbed in 1949 to a spectacular 56.9 per cent before taxes and 33.1 per cent after taxes. In the same year, the return on stockholders' investment in Cockshutt Farm reached a peak of 43.8 per cent before taxes and 19.4 per cent after taxes. Although 1953 marked the beginning of a period of declining profits the average return on total invested capital before taxes for the period 1947-1953 was 26.9 per cent for Massey-Ferguson and 21.9 per cent for Cockshutt Farm while for the same period the average return on stockholders' investment was 38.1 per cent before taxes and 20.5 per cent after taxes in the case of Massey-Ferguson and 26.7 per cent before taxes and 12.8 per cent after taxes in the case of Cockshutt Farm Equipment.

However immediately following this period Cockshutt suffered two years of losses and a total of five years in which the return on invested capital before taxes remained below 5 per cent. The greater strength of Massey-Ferguson because of its more widely dispersed operations is indicated by the fact that although this company's profits dropped sharply they did not fall below the level of 5 per cent before taxes on invested capital and in all but two years since 1953 have been well above that level. Massey-Ferguson achieved an average rate of return of 9.4 per cent before taxes on invested capital and a return on stockholders' investment of 11.7 per cent before taxes and a quite creditable rate of 7.2 per cent after taxes. Cockshutt Farm Equipment showed a much smaller rate of return, for the period 1954-60, an average of 1.9 per cent on total invested capital before taxation and as far as stockholders' investment was concerned a rate of 1.0 per cent before taxes and 0.8 per cent after taxes.

Nevertheless for the whole of the period 1947-60 Cockshutt Farm Equipment earned a return of 10.2 per cent on total invested capital before taxation and on stockholders' investment 12.3 per cent before taxes and 6.1 per cent after taxes. Massey-Ferguson showed a return of 14.7 per cent on total invested capital before taxation and on stockholders' investment a return of 19.6 per cent before taxation and 11.1 per cent after taxation.

It would appear that these two farm machinery companies have not made exorbitant profits since 1954, but there is very strong evidence that considering the whole of the post-war period these companies have realized a rate of return that has been more than adequate. There is no doubt that the prices of farm implements could well have been reduced in the early half of the post-war period. At the same time, we believe that the lower profit levels of the companies in more recent years reflect the agricultural recession and do not confirm the appropriateness of the present price levels of farm

machinery. Evidence obtained during past investigations has indicated that the lower profit levels or losses of farm machinery companies during agricultural recessions reflect the higher costs of producing at less than capacity levels of an industry with relatively high fixed overhead costs. Had the prosperity of agriculture been maintained it seems reasonable to assume that the resulting higher sales would have enabled price reductions of farm implements to take place while still assuring the farm machinery industry of adequate returns.

The importance of this factor in the farm implement industry has been noted by W. F. Phillips in his book *The Agricultural Implement Industry in Canada*. As he puts it:

Because of high income elasticity, the fluctuations in Canada's farm income have been projected onto the operations of the implement industry in magnified form, resulting in alternating periods of very high and very low output. The substantial profits which have been made by the industry in high output years have resulted primarily from decreased unit overhead costs in those years rather than from increased prices. Likewise, losses have resulted during years of low output, not because of falling prices but because of vastly increased overhead per unit.¹

A study done by the federal trade commission in the United States in 1948 came to a similar conclusion regarding the importance of steady, high-capacity production. As an example, the study points out² that the apparent unit cost of a 6-foot grain binder made by two manufacturers increased from comparable figures of \$172 and \$173 in 1929 to \$426.54 and \$430.83 in 1932, and then dropped back to equally comparable figures of \$151.77 and \$149.39 in 1936. This was in spite of the fact that direct material and labour costs fell between 1929 and 1932, and rose between 1932 and 1936. No doubt this is an extreme example, but it illustrates the drastic changes in cost due to the volume of sales. Many more examples of a similar kind are given in the study. It is in fact quite clear that stable farm income at a reasonable level is the real long-term answer for an efficient, low-cost implement industry.

Increase in Models of Farm Machinery

Another factor that, in our view, is contributing to higher production costs is the increase in the number of models of a particular machine manufactured by one farm machine company and also the trend towards more frequent model changes. This, as will be indicated later, also compounds the problems of distribution and maintaining adequate stocks of repair parts.

Figures 1 and 2 show the average number of years that tractors and combines manufactured by three of the major implement companies were continued in production over the period from 1948 to 1959. They indicate a substantial increase in the frequency of model change.

In the case of tractors, for example, it is apparent that a decade ago, models remained in production for about ten years; while today, the average production span of any one model is in the neighborhood of two or three years.

While no figures have been presented for the smaller machines, it is quite apparent that a similar trend is under way in their manufacture. For example, in the case of mowers, we have found many of the companies at

¹ W. G. Phillips—*The Agricultural Implement Industry in Canada*—University of Toronto Press, 1956, page 118.

² Report of the United States Federal Trade Commission on Manufacture and Distribution of Farm Implements, 1948, page 78.

the present time marketing mounted mowers, trailed behind mowers, semi-mounted mowers, with either pitman or balanced head drives. One may also obtain a variety of knife sections, guards and cutter bar lengths. Hay rakes are produced on much the same basis. With regard to cultivators we have both mounted cultivators and pull-behind types in a variety of models such as spring tooth, stiff tooth and heavy duty.

On the basis of these observations, it is fair to conclude that the trend to increasing frequency of model changes and increased models is industry wide, and covers the whole gamut of farm machines.

We recognize that some model changes represent technological advances, but a great deal of it is motivated by desire to place "sales appeal" in machine design. There is an increasing tendency, particularly in the manufacture of tractors and combines, towards annual changes in design merely to emphasize outward appearances. In our view, curvatures in sheet metal, flaring designs of radiator cowlings, etc. have all been the result of an attempt to enhance the "sales appeal" of a farm machine. Design features of this kind add nothing to the productive capacity of the machine, but do add, in many cases significantly, to the cost of production. Moreover, this represents part of the campaign by industry to subject farm machinery to the same features of "planned obsolescence" so familiar in automobiles and other consumer products.

This is part of what seems to us an unfortunate tendency in the industry to place an increasing emphasis on merchandising techniques. Indeed, the latest annual report of one of the farm machinery companies explicitly confirms this view indicating that:

The Company is continuing to observe and base its long-term planning on the increasing relative importance of effective marketing procedures in the sale of farm machinery. While no thought is given to any curtailment of effort in the introduction of new products and the improvement of existing ones, it is being recognized that customer acceptance of real advances in product design are each year more dependent on the skill with which these are merchandised.

Thus greater emphasis is being given to ways and means of improving Company performance in marketing, and it is expected that this will be a key-note for possible changes in the future organizational structure.¹

Standardization of Farm Machines and Parts

In Saskatchewan today there are nine major manufacturers of farm machinery offering complete lines of equipment although three companies make up by far the largest sales. We believe that the cost of maintaining nine headquarters staff, nine research organizations, nine assembly lines turning out nine sets of machines designed to do the same thing, nine advertising and promotional campaigns and nine systems of dealerships, is too much for an agriculture caught in the vise of a cost-price squeeze. This, in our view, is a problem that pervades the industry with perhaps exceptions in some lines of specialized equipment with limited sales.

As we have indicated, some measure of amalgamation of farm machinery production facilities and thus standardization has been accomplished by the industry itself although this concentration of private ownership has carried with it all the dangers of uncontrolled private monopoly power. Obviously any further steps require a wide measure of public ownership and direction in

¹ 1960 Annual Report of Cockshutt Farm Equipment Limited, Director's Report to Shareholders.

Figure 1
FREQUENCY OF MODEL CHANGE OF TRACTORS

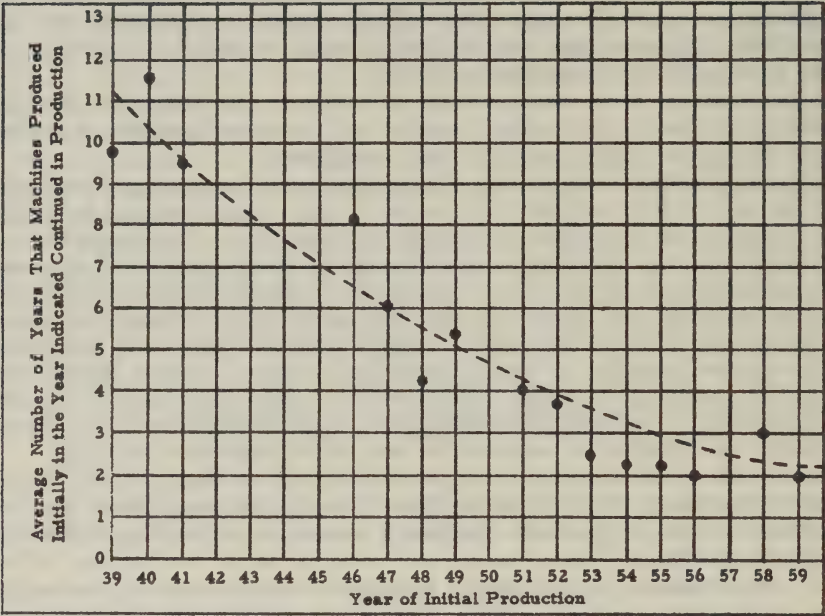
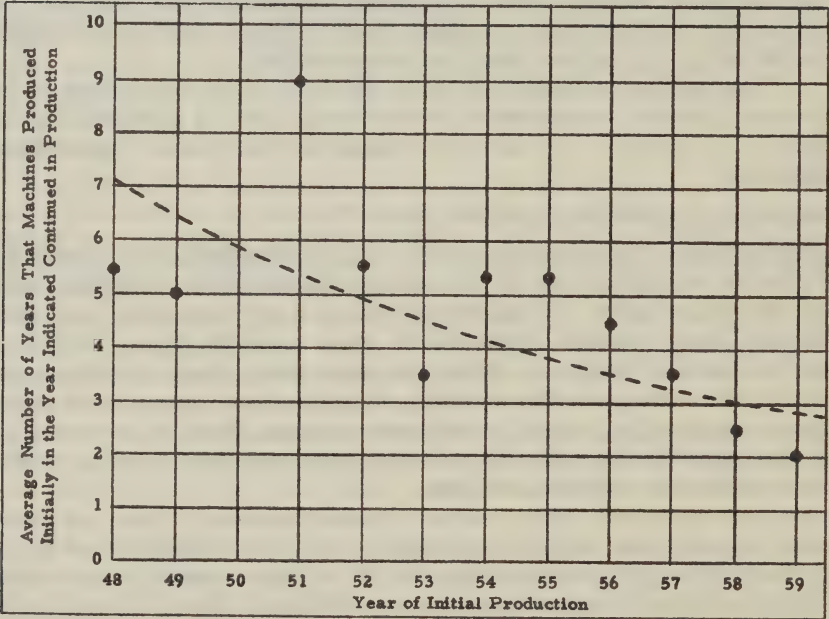


Figure 2
FREQUENCY OF MODEL CHANGE OF COMBINES



order to achieve both lower costs of production and adequate safeguards for the farmer purchasers.

The special House of Commons committee on farm machinery prices recommended in 1937 that:

...the companies should encourage the further standardization of replacement parts in the same implements manufactured by different companies and in addition standardization of the implements themselves.

Evidence is at hand to indicate that at least some manufacturers have over the years incorporated some standardization of parts within their line of equipment, but much of the value of this has been lost by the lack of cross-reference data in parts books and manuals. In any event, the surface has hardly been scratched.

There is little doubt that the manufacturers are not likely of their own free will to attempt any extensive planned degree of standardization among themselves particularly since the manufacturers have instituted intentional design differences to allow for the most effective use of sales features in advertising and sales campaigns.

However, even within any one manufacturer's line of equipment there is much room for standardization of the design of machine component parts. It is possible, and indeed quite practical, for design engineers to standardize the use of a much lower number of different bearings for their lines of equipment, than has heretofore been the case. In some machine applications, this would result in increasing the cost since certain bearings might be over-designed for the particular application. However, offsetting this would be the substantially reduced repair inventory requirements, right through the company from the manufacturer to the dealer's stock, to say nothing of the possibility of economics accruing from larger bulk buying.

Standardization of component parts for tractor motors has been undertaken to a very limited extent by at least one of the manufacturers of farm machinery to date. It is not only economical from a parts supply point of view but also in terms of production to have all pistons identical regardless of the number of pistons or the size of the power plant. The same reasoning applies to connecting rods, connecting rod bearings, rings, valves, valve springs, main bearings, etc. In this regard, a leaf could be taken from the book of General Motors Company who have for many years now, manufactured their diesel power plant in a horsepower range from small units up to quadrupled 500 horsepower units, on a standardized design basis. The pistons used in the small units are identical to those used in the large, as are almost all other component parts.

Standardization can be carried further within a line of machines. Standardization of such items as ledger plates, knife sections, guards, etc. between swathers and combines could be established without any real problems. The design of reels, including bats, arms and spiders, could also be standardized between swathers and combines.

Standardization in this sense could be exploited to a much greater degree by farm machinery manufacturers than is the case to date, and should result in significant savings in many areas of the manufacturing and distributing of farm machinery.

Rationalization of the Farm Machinery Industry

In our view, rationalization of farm machinery production and distribution constitutes one of the most important areas for reduction in farm machinery costs. Rationalization of the industry would result in savings through the standardization of farm machinery and parts, the reduction in the total number

of farm machinery models and the elimination of unnecessary model changes and savings in distribution.

It is obvious that these savings, which should be reflected in lower prices, cannot be realized without thorough reorganization of the industry. In the light of the inability or unwillingness of the industry itself to accomplish this, public intervention and regulation is essential.

Therefore, we would urge the committee to consider a three-fold program under which public, private and co-operative ownership of farm machinery production could be used to serve Canadian agriculture. This could involve the nationalization of the Canadian privately-owned farm machinery industry. An alternative would be federal loans to enable an enlarged co-operative farm machinery industry to be established.

Any national agency set up to manufacture and distribute farm machinery in Canada would of necessity have to be the sole importing agency of farm machinery also. Such an agency could either establish its own system of distribution or provide for the development and expansion of farmer-owned co-operatives for that purpose and perhaps also employ in some instances the distribution agencies.

These recommendations may appear to be drastic but it is sadly evident that the present system of farm machinery manufacture and distribution has failed to provide Canadian farmers with machinery at reasonable prices. Therefore it is clear that only such action has any chance of solving the problem.

Other Recommendations

If this program of public or co-operative ownership of the Canadian farm machinery industry is not proceeded with, it will be necessary to consider what alternative proposals can be made regarding the private manufacturing sector of the industry.

We would make at least two recommendations in this connection. First, we recommend the establishment of a federal farm machinery prices tribunal with authority, either on its own initiative or at the request of any farm organization or other group, to investigate the price of any farm implement, to determine whether this price is justified by cost of manufacture and if necessary, to rule that the price must be reduced.

Second, we would recommend the establishment of an advisory technical body possibly attached to the proposed federal farm machinery prices tribunal to maintain a continuous review of the effect of model changes and multiplicity of models on manufacturing costs and also to recommend specific measures of standardization of farm machinery and parts. We believe that no farm machinery price increases should be approved unless the companies have indicated that appropriate measures to standardize production have been taken.

SECTION III

TRANSPORT COSTS OF FARM MACHINERY

The principal sources of supply of farm machinery for western Canada are points such as Brantford and Hamilton in Ontario, and various points in Iowa, Illinois, Michigan and Wisconsin. Therefore generally speaking farm machines must be transported considerable distances from their factory sources to their western Canadian destinations.

The impact of freight rates on farm machinery prices has always been a matter of concern. In 1937, for instance, the House of Commons special committee on farm implement prices found that:

In western Canada, taking Regina as a base, this freight cost (on Canadian-made implements) constitutes roughly 9 per cent of the farmer's dollar expended in the purchase of farm implements.¹

This is spelled out in detail in a table entitled "Comparison of Typical Implement Costs and Sales Realization Data" which indicates that for 35 typical implements manufactured in Canada by four companies weighted in terms of sales volume for the 10 years, 1926 to 1935 inclusive, 9.2 per cent of the cash price to the farm (Regina basis) covered freight costs from the factory.²

Another table entitled "Statement of Tractor Costs and Sales Realizations" indicates that for the period 1926 to 1935, 5.58 per cent of the price to the farmer in Regina of three tractors (weighted average) from International Harvester Company went to freight costs from factory.³

In the post-war period, the Canadian railway freight rates on farm machinery in common with those imposed on other goods shipped to western Canada have climbed very steeply. Since there has been no effective truck competition on farm machinery shipments from eastern Canada, the percentage increase of freight rates on farm implements has been one of the highest of any commodity. While a complete analysis of the freight rates borne by the thousands of commodities that move to western Canada would be too time-consuming, we have compared the percentage freight rate increase on farm implements with those applicable to various random commodities (see table 12). Of the commodities tested, the percentage freight rate increase on farm implements is the highest by a considerable margin indicating the heavy impact of freight rate increases on this commodity.

TABLE 12

RAIL FREIGHT RATE ON VARIOUS COMMODITIES EASTERN CANADA TO
REGINA, SASKATCHEWAN

	Percentage Increase 1948-1961
<i>Farm Machinery</i>	126
Insecticides (agricultural).....	113
Earthenware ¹	112
Pipe, sewer or concrete, and drain tile.....	110
Fruit and vegetables, canned.....	105
Fire Brick or Fire Clay.....	100
Rubber and Rubber Goods.....	19

SOURCE: Freight Services Branch, Department of Industry and Information, Province of Saskatchewan.

¹ Rates to Moose Jaw.

The rail freight rate on farm machinery shipped from Brantford, Ontario to Regina, Saskatchewan has increased from \$1.28 per hundred pounds prior to April, 1948 to \$2.83 since May 6, 1960 (basis flat car, 24,000 pound carload

¹ Report of the House of Commons Special Committee on Farm Implement Prices, 1937, in Minutes of Proceedings and Evidence of said Committee, page 1214.

² Ibid, page 1234.

³ Ibid, page 1236.

minimum) and except for the \$20 million subsidy instituted on normal rated traffic would stand at about \$3.11 per hundred pounds (see table A-11 of appendix A).

As a result of this rapid increase, the freight burden as a proportion of the price of farm implements would appear to have risen since 1947. This at least, may be stated on the basis of a comparison of the freight rates on two Canadian produced implements (see Table 13). It should be noted too that the railway freight rates on farm machinery to western Canada have increased more since 1947 than the index of farm machinery prices in western Canada. However, a study of the freight costs on farm implements shipped from the United States suggests that freight costs are now a smaller proportion of the final cost of a farm implement (see table 14) than was indicated by the 1937 House of Commons farm implement prices committee.

TABLE 13
COMPARISON OF TRANSPORT COSTS OF FARM MACHINERY,
POINT OF MANUFACTURE TO REGINA, 1947 AND 1961

Item	Year	Point of Manufacture	Weight	Freight Costs to Regina	Retail ¹ Price	Freight Costs as % of Retail Price
			lbs.	\$	\$	%
<i>Combine: Self-propelled 12-foot cut</i>						
Cockshutt 112.....	1947	Brantford, Ontario	7,600	97.28	4,198.00	2.3
Cockshutt 428.....	1961	Brantford, Ontario	8,147	230.56	8,049.56	2.9
<i>Swather: 12-foot pull type</i>						
Cockshutt no. 2.....	1947	Brantford, Ontario	1,843	23.59	715.97	3.3
Cockshutt no. 2.....	1961	Brantford, Ontario	1,775	50.23	1,082.98	4.6

SOURCE: Farm machinery information obtained from farm machinery companies and from company price lists filed with Agricultural Machinery Administration, Department of Agriculture, Province of Saskatchewan. Freight rates supplied by Freight Services Branch, Department of Industry and Information, Province of Saskatchewan.

¹ Retail price in Regina has been estimated basis list price f.o.b. factory plus freight charges from factory to Regina.

It would appear that the present relatively lower burden of railway freight rates as compared with the twenties and thirties is at least partly explained by the reduction in the ratio of weight to power or capacity of some of the significant machines as their power or capacity has increased. Since the thirties the trend toward higher power tractors coupled with certain reductions in the weight-power ratio even in machines of the same horsepower rating has served to produce this relative reduction in the freight cost burden. It might be noted that the International Harvester W6 tractor widely used in the thirties and early forties weighed 15.8 pounds per drawbar horsepower (basis 5,037 pounds and 32 h.p. maximum) as compared with the International 660 tractor of today weighing 11.8 pounds per drawbar horsepower (basis 8,473 pounds and 71.8 h.p. maximum).

It appears, too, from table 14 that freight costs constitute a considerably higher proportion of the cost of the less expensive machines such as diskers and cultivators than is true of tractors and combines. This is as one would expect since such machines have a high weight in relation to price.

Also freight costs on Canadian-produced farm implements are almost without exception higher in absolute amount and as a proportion of the final

TABLE 14
TRANSPORT COST OF FARM MACHINERY,
POINT OF MANUFACTURE TO REGINA
(as of March 1961)

Item	Point of Manufacture	Weight	Freight Cost to Regina	Retail ¹ Price	Freight Cost as % of Retail Price
		lbs.	\$	\$	\$
<i>Tractor 40-45 H.P. Diesel</i>					
Case 730.....	Racine, Wisconsin.....	5,982	127.42	5,328.7	2.4
Cockshutt 560.....	Brantford, Ontario.....	6,298	178.23	5,009.98	3.6
John Deere 3010.....	Waterloo, Iowa.....	6,466	125.44	5,079.19	2.5
International 560.....	Rock Island, Ill.....	6,408	135.21	5,977.46	2.3
Massey 88.....	Detroit, Michigan.....	6,720	202.27	5,638.27	3.6
Moline M-5.....	Minneapolis, Minn.....	6,633	103.47	5,404.22	1.9
Oliver 770.....	Charles City, Iowa.....	5,120	90.62	4,860.77	1.9
<i>Tractor 30-40 H.P. Gasoline</i>					
Cockshutt 550.....	Brantford, Ontario.....	4,941	139.83	3,757.08	3.7
International 460.....	Rock Island, Ill.....	4,558	96.17	4,124.17	2.3
<i>Combine Self-Propelled with pick-up—12 foot</i>					
Case 800.....	Bettendorf, Iowa.....	9,941	217.71	8,094.21	2.7
Massey 82.....	Brantford, Ontario.....	9,411	266.33	7,804.58	3.4
<i>Combine Self-Propelled—12 foot cut</i>					
Cockshutt 428.....	Brantford, Ontario.....	8,147	230.56	8,049.56	2.9
International 151.....	East Moline, Ill.....	8,473	193.18	8,467.68	2.3
<i>Disk 15 foot with Seeder attachment</i>					
Case 915.....	Rockford, Illinois.....	3,711	73.11	1,708.86	4.3
Cockshutt 225.....	Brantford, Ontario.....	3,425	96.93	1,672.93	5.8
Massey 36.....	Brantford, Ontario.....	3,165	89.57	1,722.57	5.2
<i>Heavy-Duty Cultivator—spring release type with chisel teeth</i>					
Case 15' C.P. 15 S....	Rockford, Illinois.....	2,675	58.58	1,012.58	5.8
Cockshutt 14' 246.....	Brantford, Ontario.....	2,210	62.54	909.54	6.9
Massey 15' 124HD....	Brantford, Ontario.....	2,482	70.24	1,039.99	6.8
<i>Balers twine-tie—P.T.O. driven</i>					
Cockshutt 344.....	Lewiston, N. Carolina....	2,460	81.67	1,789.67	4.6
International 46.....	Hamilton, Ontario.....	2,610	78.86	1,964.86	4.0
Massey 10.....	Brantford, Ontario.....	2,732	77.32	2,215.32	3.5
<i>Swather 12 foot pull type</i>					
Cockshutt 2.....	Brantford, Ontario.....	1,775	50.23	1,082.98	4.6
International 120.....	Hamilton, Ontario.....	1,984	56.15	1,132.65	5.0
Massey 30.....	Brantford, Ontario.....	1,951	55.21	1,248.21	4.4

SOURCE: Information on farm machinery obtained from farm machinery companies and from company price lists filed with Agricultural Machinery Administration, Department of Agriculture, Province of Saskatchewan; Freight rates supplied by Freight Services Division, Department of Industry and Information, Province of Saskatchewan.

¹ Retail price in Regina has been estimated basis list price f.o.b. factory plus freight charges from factory to Regina.

cost of farm implements than they are for comparable implements from the United States. Thus freight rate increases tend to place the Canadian farm implement industry at a competitive disadvantage.

In conclusion, we would recommend that the board of transport commissioners make a special investigation of railway freight rates on farm machinery with a view particularly to determining the relative impact of freight rate increases on farm implements as compared to other commodities. Such evidence as we have submitted would indicate that not only have horizontal freight rate increases imposed an unfair burden on regions like western Canada but even within the region has imposed an unfair burden on farm implements. While we are not suggesting that a major reduction in farm machinery costs could be made by reducing freight rates it is still very important that freight rates be kept to the lowest possible level. If the board of transport commissioners confirms our view that there is an element of freight rate discrimination against farm implements, the board should issue an order to roll-back such rates to a more appropriate level. The absence of truck competition except in the case of tractors from the United States sources makes such special action imperative. It must also be borne in mind that the Crowsnest Pass agreement originally applied to shipments to western Canada of farm machinery so that every increase in freight rates on farm implements represents another breach in an agreement that was entered into originally in good faith.

SECTION IV

DISTRIBUTION COSTS OF FARM MACHINERY

One of the conclusions of the 1937 House of Commons committee on farm machinery prices was that "the cost of distribution of farm implements is unnecessarily high and constitutes an important factor in the prices to the consumers." We believe that the farm machinery distributing system still constitutes an important area for possible cost reductions and we particularly urge the committee to closely investigate this field. It is apparent that such a study would require the closest co-operation of the farm machinery companies since they alone possess the definitive information from which costs might be determined. We suggest that only a federal committee or other agency acting at the federal level can conduct the kind of national study of distribution costs that is required.

Nevertheless, information obtained some years ago by a special committee of the Saskatchewan legislature indicates the general magnitude of the costs prevailing at that time and we believe we can indicate some of the factors operating to increase distribution costs.

The special committee of the Saskatchewan legislature on farm implements reported in 1952 that "accounting analysis revealed that distribution costs (not including freight) appeared to absorb at least \$25 for every \$100 spent by the farmer. This estimate does not include C.C.I.L. whose distribution costs were significantly lower".¹ It was indicated by a study of the tabulation of branch expenses that such expenses "are at present averaging some 5 per cent of retail sales of the major companies in Saskatchewan, which is considerably less than the percentage experienced in 1938 of some 17 per cent to 20 per cent and as observed in the Ottawa inquiry of 1937".²

The same report² added that commissions to dealers (for the period 1946 to 1951) ranged from 20 to 23 per cent of the retail sales price in the case of

¹ Report of the Special Committee of the Saskatchewan Legislature on Farm Implements, page 14.

² Interim Report on Distribution Costs prepared by Millar, MacDonald & Company of Winnipeg, Manitoba—Exhibit No. C-15 submitted to the Special Select Committee on Farm Implements—Legislature of the Province of Saskatchewan, page 2.

Massey-Harris Company Limited, 15 per cent to 20 per cent in the case of John Deere Plow Company Limited, 15 per cent to 21 per cent with average approximately 20 per cent for Cockshutt Farm Equipment, 18 per cent to 23 per cent for International Harvester Company of Canada Limited.

It would seem obvious that the lower level of branch expenditures for the period 1946 to 1951 was partly a result of high sales. We would suggest that with the lower sales of the past few years that branch expenditures as a proportion of the value of total retail sales have probably increased but this is one of the matters we believe the committee can most appropriately investigate.

It was found in 1952 that:

The outstanding factor which accounts for a considerable part of this discrepancy (between 1946-51 branch expenses and those in 1938) is the virtual absence of bad debt losses and collection expenses in recent years. However as a percentage of sales, distribution expenses otherwise have declined substantially since 1939. It must be remembered that whereas branch expenses have declined since 1939, dealers' commissions have increased, although not proportionately.¹

It may very well be that dealers' commissions as a proportion of the value of retail sales are higher today than in 1952. But any efforts to determine actual commissions is complicated by the wide-spread practice today of dealers taking losses on trade-ins which naturally serves to reduce the commissions realized. This again is a matter we trust the committee will consider in its study.

Machinery Distribution in Saskatchewan

At the present time nine major full-line farm machinery manufacturers maintain a province-wide system of dealerships while in addition numerous independent companies offer partial lines of farm implements both large and small. A total of about 1900 dealers were spread throughout Saskatchewan in 1960 serving an average of 52 farms apiece. Although we have not obtained the precise figures for the other prairie provinces, there is little doubt that this distribution pattern is repeated in Alberta and Manitoba.

We believe that this involves a considerable element of duplication of facilities. One effect of this is the increased cost arising from company servicing of parallel facilities selling in the same market. In some cases too the company pressure for an extensive system of dealerships has led them to accept unsuitable applications. Company field representatives have indicated that a great deal of a territory supervisor's time is then taken servicing such dealers who also sell the lowest percentage of farm machinery.

In addition, the close proximity of dealers has contributed greatly to their declining financial position. Most companies have been thereby forced into the position of providing costly credit facilities to uneconomic dealer operations.

The next section indicates the unsatisfactory operation of this dealer structure in maintaining adequate supply parts.

We believe that the most effective reorganization of the farm implement dealer structure to combat these problems is contingent upon two changes in farm machinery company policies. Firstly, the rationalization of farm machinery manufacture along lines we have already suggested would tremendously facilitate the establishment of more economic machinery distribution.

¹ Ibid, page 2.

On the other hand, if the program we have set out in section II is not adopted, it would be necessary at the very least for the farm machinery companies to change their general policy of exclusive dealerships which is now only rarely breached under special circumstances. By this means, the number of dealers might well be reduced while maintaining more effective service. It should be recognized that the system of exclusive dealers is a comparatively recent development representing in part an effort of the large farm implement companies to squeeze out the smaller ones as indicated by the 1948 report of the United States federal trade commission. Although there are some signs in Saskatchewan of an increasing number of "multiple" dealers handling two or three or more lines of farm machinery, these are almost without exception for the smaller full-line companies.

We see very little possibility of the companies being persuaded to change their basic policies in this regard on anything less than a regional basis. Therefore the government of Saskatchewan would welcome a regional conference representing the federal government, the governments of the four western provinces, representatives of the farm machinery industry, the farm implement dealers association and of the farm unions to consider the suggestions made here as well as other means by which the system of distribution might be more effectively organized. Such a regional conference might also be appropriate for the eastern Canadian provinces.

Repairs Parts Supply

One of the primary functions of the farm implement dealer as far as agriculture is concerned must be to maintain an adequate stock of repair parts and to properly service the machines he sells. In many important respects, the very extensive system of dealerships has failed to do this. In fact, in our view the very extensiveness and the duplication of facilities offered has contributed to these failures as has the rapid change-over of farm machinery models and the increasing number of models. In addition, the increasing complexity of today's farm machinery has added to the number of parts required. All of these factors have combined to produce the present unsatisfactory situation. It has been financially difficult for the local dealer with a limited sales area to maintain an adequate stock of repair parts for the very wide line of farm implements he sells and more particularly has sold in the past. Thus, again and again local dealers have been found to be without needed parts. Moreover, on many of these occasions supplies of the required part have not been available even at company depots anywhere in the province. All of this adds considerably to the cost of farm operations in terms of time lost and long trips to locate the required parts.

Approximately half of the estimated value of repair parts available in Saskatchewan in 1960 was at the dealer stocking level, and the other half at the company depot level for an estimated total of approximately seventeen and a half million dollars available in Saskatchewan at any one time during 1960 (see Table 15). Keeping in mind that Saskatchewan's 1960 repair parts sales were in the order of \$10,700,000 (wholesale value), the figures indicate that repair part sales were about 60 per cent of farm machinery repair parts inventories during the summer season.

TABLE 15

ESTIMATED VALUE OF REPAIR PARTS FOR FARM MACHINERY
ON HAND IN SASKATCHEWAN, 1960

Repair Stocks in Dealers Hands	Average Inventory of Parts Carried by Branch	Total Value of Parts in Saskatchewan
\$9,189,000	\$8,488,000	\$17,677,000

Source: Agricultural Machinery Administration, Department of Agriculture, Province of Saskatchewan.

Thus, the problem of maintaining adequate stocks of parts is two-fold. The first lies, as has been indicated, at the dealer level. It is clear that before it would be economical for many dealers to carry adequate repair stocks it would be necessary for the sales area available to them to be increased. At the present time many dealers merely duplicate the small fast-moving stock that their competitive dealer carries a few miles away (often selling the same line of goods). The improvement in the financial strength of farm implement dealers that would result from a more rational distribution system should enable them to provide better repair part stocks and services to farm users.

The second problem arises at the depot level partly as a consequence of the first. At peak periods multitudes of non-stocking dealers overwhelm the manufacturer's branch depots with orders. When the manufacturer is also following a policy of maintaining depot stocks at an absolute minimum, the whole system of distribution, in effect, breaks down for a period and farmers in need of repairs may be left stranded at crucial periods in their farming operations.

We have attempted to deal with this problem through legislation such as the Farm Implement Act but our experience indicates that action on the provincial level alone is insufficient. For instance, we have found that the problem of maintaining adequate stocks is as complicated at the depot level as at the dealer level by the variety of models and the frequency of model change. The rapid change of models has brought with it a very high degree of obsolescence as far as repair parts are concerned (suggested in some quarters to be planned obsolescence). Supply problems are apparent at the depot level particularly in relation to machine model that were only on the market for short periods of time. Repair depots appear to be very reluctant to maintain adequate stocks of repair parts for new model machines because of lack of experience with the machine and consequent lack of any repair requirement record.

A reduction in the number of models, and less frequent model changes would greatly facilitate the maintenance of adequate stocks of repair parts. In addition, the problem of repair parts supply would be greatly eased if a thorough-going program of standardization of farm machines and parts were adopted.

We have already set forth in Section II a program of rationalization of farm machinery manufacturing and distribution. We believe this would provide substantial savings to agriculture. Not the least of the advantages of such a program would be the lower cost of maintaining an adequate stock of repair parts and the elimination of much of the present problem the farmer now faces of being unable at critical periods to secure needed parts.

Co-operative Distribution

We should like particularly to stress the economies that could be realized from a system of distribution such as that envisaged by Canadian Co-operative Implements Limited. In our view, the establishment of C.C.I.L. and the later

formation of Co-operative Fédérée of Quebec represent one of the new hopeful recent development in the distribution of farm machinery. We believe that the system of area parts and machinery depots, being established by the Canadian Co-operative Implements Limited is a rational one which avoids the unnecessary expense of costly overlap facilities of most of the other farm machinery companies and might well be accepted as a model.

Annual reports of C.C.I.L. have set this out in some detail. For instance, the 1961 annual report stated:

It is hoped that within the next few years the depot building program will be completed. It is planned to establish a total of some 60 depots, and, in so doing, to put a C.C.I.L. place of business within reasonable driving distance of almost every prairie farmer.

The essence of the C.C.I.L. distribution plan is, in the interests of economy and efficiency, to limit the number of depots to no more than 60. We believe that in the purchase of a machine, or even of a repair part, it makes little difference to any member if he has to go to a town that he is not normally in the habit of visiting. We believe that what he really wants is to be sure that the repair and any other service that he needs is available when he gets there. The other thing the farmer should want is to keep the cost of handling machines and repairs at the lowest practicable level so that he gets the greatest possible saving.¹

Again, another C.C.I.L. Annual Report stated:

Perhaps not too many people realize that C.C.I.L. has also blazed a new trail in the physical distribution of machines. Nor do they perhaps realize the significance of what is involved in this new way of distribution. But it is, we believe, of very great importance and it is our opinion that it provides a pattern which will be followed by others and eventually become the standard instead of the exception. This for the simple reason that it is more efficient and economical.

This distribution system is still in an early stage of development. The original plan approved by your Directors thirteen to fourteen years ago envisioned five branches and between fifty and sixty depots strategically located all the way from the Red to the Peace and providing a C.C.I.L. place of business within a travelling distance of less than 25 miles for the average farmer. This setup is believed to provide all that was essential for the most economical and satisfactory sales, repair and machine reconditioning service. The objective was, and is, to provide first-class repair and machine shop service at all those points.²

The operation of C.C.I.L. has already, in our view, brought substantial economies to western Canadian agriculture as indicated by the fact that farmers who have patronized the C.C.I.L. made very real savings. We believe that co-operative systems of distribution such as C.C.I.L. should be given encouragement and assistance. However, we shall not go into this question in detail since we understand that C.C.I.L. is submitting its own brief to the committee.

SECTION V

PUBLIC TESTING SERVICES FOR FARM MACHINERY

The prudent selection of farm machinery can yield as significant financial benefits as might result from a reduction in the initial price. Yet although some points on the performance of a machine are obvious to the purchaser,

¹ 1961 Annual Report, Canadian Co-operative Implements Limited.

² 1959 Annual Report, Canadian Co-operative Implements Limited.

many are not. To make an intelligent choice the user must have available unbiased information on the performance of the machines on the market. Moreover, this information must be based on general conditions under which the machine will be used. Thus, some form of farm machinery testing program is essential.

Since even the most thorough tests by the farm machinery companies themselves lack the necessary objectivity and are in any event, rarely found to be adequate, government testing programs have been established. Today such tests are a service available to farm people and manufacturers in 21 countries outside the Soviet bloc. The National Institute of Agricultural Engineering has provided a public testing service on farm machinery in the United Kingdom for almost 18 years, while the Swedish government Agricultural Machinery Testing Institute was first established in 1897 and has grown progressively since that date. In the latter case, almost every farm machine sold on a large scale in Sweden is submitted voluntarily by the manufacturer to the Swedish government Testing Agency for field testing and the publishing of the test report.

For the convenience of the committee, a list of these countries and the testing organization in each is given in appendix G.

Although the United States and Canada have shown the greatest degree of farm mechanization, public testing programs have not been established here to the same extent. In fact, the farm machinery testing program begun in 1958 in Saskatchewan is the first comprehensive testing program on the North American continent although the Nebraska tests which are confined to tractors have been conducted for many years.

Because of the interest expressed in the Saskatchewan program by members of the House of Commons agriculture committee at one of the first sessions concerned with the study of farm machinery prices, we are reporting at some length on the background and experience of the agricultural machinery administration in the province.

The desirability of a testing program was recognized by the selection special committee on farm implement prices and distribution of the Saskatchewan legislature which studied the matter in 1939. Among other recommendations, this inquiry pointed out that federal and provincial government organizations should "be encouraged to test the utility of new implements to suggest improvements and where possible, to encourage standardization of implements and repair parts."¹

Again, in 1952, the special select committee of the Saskatchewan legislature on farm machinery recommended "that the provincial government consider the creation of a farm implement board to test, inspect and certify under actual working conditions, farm implements and machines sold in Saskatchewan."² As a result of these inquiries and continued requests from farm people the province of Saskatchewan in 1958 set up the agricultural machinery administration to perform the following duties in the machinery testing field:

- (a) test and appraise under actual working conditions implements sold or offered for sale in Saskatchewan.
- (b) undertake development work to improve and develop implements for use in Saskatchewan.
- (c) publish such reports, pamphlets and bulletins as are consistent with the intent of this Act.³

¹ Report of the Select Special Committee on Farm Implement Prices and Distribution, 1939, Legislature of the Province of Saskatchewan, p. 48.

² Report of the Select Special Committee on Farm Implements, 1952, Legislature of the Province of Saskatchewan, p. 36.

³ Agricultural Machinery Act, c. 91, Statutes of Saskatchewan, 1958, s. 5 (2).

Since that time, the agricultural machinery administration has designed and constructed the instrumentation that is required to precisely measure the performance characteristics of machinery under various conditions throughout the province, tested and evaluated some 40 individual farm machines and published public test reports on them. The favourable response to the farm machinery testing program of farm people in Saskatchewan, as well as in Alberta and Manitoba, is indicated by the large number of requests for test reports received from farm people during the first 21 months of the operation of the program. Over 8,000 farmers in Saskatchewan have made written requests for the test reports. Farmers in the province of Alberta have also indicated their desire to receive them, and as a result the Alberta department of agriculture has completed arrangements with the government of Saskatchewan to acquire the A.M.A. test reports on farm machinery for distribution in the province of Alberta beginning in 1961-62. In addition, the government of Alberta is contributing an operating grant to the A.M.A. to assist in machinery testing.

We believe that the concrete results of the tests have fully justified the establishment of the program. In almost every instance the field testing of the units has led to changes by the manufacturer that have improved the functional and structural performance of the machines.

As an example, field test number 859 carried out on the "Du-Al" windrower manufactured in the United States and sold in Saskatchewan, points up the importance of field evaluation of farm machines by an independent organization. The test on this machine revealed its inability to perform in an acceptable manner in Saskatchewan grain fields and the public report which was released in June, 1960, stated, "the swather is not capable of satisfactory operation in cereal crops as bunching of the swath and driving on the swaths at the corners is not acceptable."¹ As a result of the field testing of this machine, the manufacturer stated as follows in the published report:

We have evaluated the tests conducted and are in complete accord with all the modifications recommended by the agricultural machinery administration. This machine is not presently for sale in the province of Saskatchewan and is now undergoing modifications. It will not be released for sale until the necessary modifications have been made and tests have proven that this unit is satisfactory for use in Saskatchewan.¹

The machines that had been sold in Saskatchewan by the manufacturer of this machine, were accepted in return by the manufacturer and the farmers involved were refunded their purchase price.

Further evidence of the usefulness of a public testing program on farm machinery is revealed by field test number 459 carried out on a heavy duty cultivator in 1959. This machine was placed on the market for the first time that year and following a test, the agricultural machinery administration made a number of recommendations to the manufacturer for improvement in the basic design of the unit to make it more useful in Saskatchewan conditions. One of the significant recommendations was as follows: "Modifications of the spring clamp release assembly to reduce wear and failure of the component parts."² In the public report, the manufacturer stated as follows with regard to this recommendation.

The original springs and pivot pins in the spring clamp release assemblies were not made to engineering specifications and as soon as

¹ Test Report No. 859, Agricultural Machinery Administration, Province of Saskatchewan, p. 18.

² Test Report No. 459, Agricultural Machinery Administration, Province of Saskatchewan, p. 15.

discovered, a dealer's service bulletin was issued authorizing replacement of all defective pins and springs on a no-cost basis to the customer. The design of the spring retainer plate assemblies has been improved and a dealer's service bulletin has authorized the exchange of the original plate assemblies on a no-cost basis to the customer. These changes on the spring release clamps as authorized by the dealer service bulletins for machines in the field, and also provided on future production machines, will now provide satisfactory performance and wear life.¹

In the same report it was recommended to the manufacturer that: "Modifications be made on the mounting of the lower pivot pin of the rear hydraulic cylinder (to prevent undue wear)."² The manufacturer in this regard stated in the report that: "Additional bearing area is being provided in future production."³

Test number 359 carried out in 1959 was a test on a machine just introduced to the western Canadian market for the first time. A number of recommendations were made to the manufacturer by the agricultural machinery administration following the test to this unit and effective correction programs in the design of the machine were undertaken by the manufacturer. By way of example, three of these recommended that the manufacturer consider:

- (1) Modifying the gang and bale assembly to prevent tilting of the gangs.
- (2) Modifying the front furrow wheel vertical post assembly.
- (3) Modifying the seeder drive and gauging cam.⁴

In the same report, the manufacturer stated, relative to these recommendations as follows:

- (1) Adjustments have been provided in current production to position disk gangs relative to the bales to prevent tilting. These modified parts have been supplied on a no-charge basis to all customers.
- (2) Construction has been changed to strengthen this assembly on current production.
- (3) The material and design of the cam throw out arm has been changed in current production and has been supplied on a no-charge basis to all owners.⁵

This experience with a farm machinery testing program has led us to certain conclusions. We have concluded, for instance, that very few new models of farm machines come on the market free from mechanical and functional defects. Some of these defects are taken care of by the manufacturer upon receipt of experience data from farm users; but others remain to mar the performance of the machine or to be corrected by mechanical changes at the user's expense. In many cases, the changes dictated by field experience are made available to the user only at an additional cost. In other words, it may seem fair to state that farm machinery manufacturers use farmers to work out the "bugs" on new machine design.

In addition, one of the basic problems is that manufacturers design machines primarily for their biggest market areas, and it is a recognized sales fact that the Canadian market is only about one-seventh of the U.S. market. For this reason, farm people in Saskatchewan are often faced with the necessity of using a machine designed primarily for other areas entirely, and because of this, find them quite unsuitable for Saskatchewan and western Canadian conditions. A prime example of this problem occurred in the fall of 1959 when many farm grain driers were brought into the province. For the most part, these

¹ Ibid p. 16.

² Ibid p. 15.

³ Ibid p. 16.

⁴ Test Report No. 359, Agricultural Machinery Administration, Province of Saskatchewan, p. 14.

⁵ Ibid p. 14.

driers were designed to dry shelled corn, and certainly in no case had the design been modified to avoid damage to the milling and baking qualities of hard red spring wheat.

Related to this is the fact that the performance of such machines in specialized conditions of Saskatchewan and western Canada as a whole, may not be indicated by the advertising literature of the company and the performance information that the company might have available. Actual performance studies right in various western Canadian farm conditions is the only real method of evaluating the functional and structural performance of a farm machine for use in western Canada. With the significantly high portion of farm income being poured back into farm machinery, operators can ill afford to purchase high priced machines that will not perform in the manner anticipated.

We would also suggest that although farm machinery manufacturers do provide a good deal of field trial data as far as tractor design is concerned, there appears to be a significant lack of field data used in the design of farm implements. As a result, functional performance as well as some aspects of structural performance leave a good deal to be desired. It is suggested that perhaps some of the time and effort presently being employed to improve "sales appeal" could probably be diverted both from the users point of view and the manufacturers point of view, to improve functional design, based on field trial data.

It is recognized, however, that there is a point of diminishing returns in relation to adequate machine design as a tool of production. It is conceivable that so much effort could go into the designing of a machine that the selling price would be uneconomic to the farm user. On the other hand, the use of such things as sealed bearings, more belts and less chains, more intelligent machine designs eliminating moving parts, has added comparatively small increments of cost, while increasing productive capacity. It is in this area of machine design that manufacturers could improve profitably the quality of their product without materially increasing the selling price.

Saskatchewan's machine evaluation program has been able to provide for farm people detailed functional and structural performance information on farm machinery in advance of machine purchasing. With this type of information available, they are then able to interpret the functional (capacity, etc.) performance of the machine in relation to their own farm conditions and thus avoid the possibility of spending large sums of money on machines that are not suited to their particular application or buying a machine with much lower capacity than was anticipated.

As is indicated elsewhere in this brief, the number of model changes is rapidly increasing. Approximately 50 to 60 new units appear on the market each year, but in its three years of operation 40 machines have been tested by the Saskatchewan A.M.A. This indicates that it would be necessary to expand the testing program of the A.M.A. considerably to provide farm people with performance data on all of the new units being made available each year.

We believe this can be most economically done by the establishment of a federal-provincial regional public farm machinery testing agency in western Canada contributed to by the three prairie provinces and the federal government. Since Saskatchewan already has an effective farm machinery evaluation service in operation at the present time complete with equipment, facilities and trained staff it would seem unnecessary and indeed uneconomical for these facilities to be duplicated in other provinces in the west. Thus we would suggest that this existing agency could provide the basis for an expanded regional program with the extent of financial support and other matters of administration worked out by mutual agreement with all parties concerned. We would particularly emphasize the important responsibilities of the federal government in this field and would urge that substantial federal financial assistance be made available.

The annual costs in Saskatchewan at this point in the development of the testing services are less than one quarter of 1 per cent of the cost of farm machinery purchased annually by farmers in the province. We believe that although the amount of dollars involved is comparatively small in relation to the amount of machinery purchased, the savings made available to farm people through the public testing program has been many times greater than the expenditure.

A regional public farm machinery testing agency in western Canada could yield much greater results per dollar invested than even Saskatchewan's program since the cost of these tests the results of which are as useful to Alberta and Manitoba farmers as to Saskatchewan people would in that way be spread over a larger population. Approximately a three-fold increase in the testing program supported by public funds on the basis suggested could be a most fruitful avenue for assisting agriculture.

It is recognized that there are significant differences between the types of farm machinery used in western Canada and those used in eastern Canada. It would seem reasonable therefore to establish a similar regional farm machinery testing agency in eastern Canada, publicly supported in a similar manner to provide the same kind of service to farm people in the East.

In considering a farm machinery testing agency or evaluation service, it must be recognized that the proposed approach to performance evaluation is not research, and, therefore, is not a function that might usefully be undertaken by existing research organizations, such as universities, or experimental farms. The latter are and should be concerned with more fundamental research involving such basic relationships as disc designs, metallurgy as it relates to the wear characteristics of tillage tools, combine separation efficiency, and grain swath characteristics in relation to drying ability.

In conclusion, we should emphasize that the submission of new farm machines to A.M.A. for test is voluntary. We have almost without exception received the closest cooperation of the farm machinery companies. Indeed it would seem to be to their interest to do so since this unbiased field appraisal is undoubtedly of assistance to farm machinery manufacturers as well as to farm people. As a result of the controlled testing of farm machinery in Saskatchewan farm conditions, authentic performance information has been provided to farm machinery manufacturers and enabled them to design farm machinery that will perform more adequately in the specific field conditions of Saskatchewan and in other parts of western Canada as well.

SECTION VI

CREDIT FOR FARM MACHINERY PURCHASES

We believe that the provision of adequate credit at reasonable cost is an essential element of any program to provide agriculture with farm machinery at minimal prices. Fortunately the increased mechanization of the post-war period has been accompanied by the development of credit facilities that have been shown to be superior to those which existed earlier. The passage of the Farm Improvement Loans Act in 1944 providing for a federal government guarantee against losses of up to 10 per cent of the principal of farm improvement loans made by banks at a 5 per cent interest rate has relieved the farmer of a considerable portion of the onerous credit burden he was obliged to carry before the war. However, there are still farmers who have had to turn to other, and more expensive, sources of credit. Therefore we believe it is essential that the Farm Improvement Loans Act be retained as a permanent feature of Canadian farm credit policy and we shall make some suggestions which we believe will make it of still greater benefit.

The importance of the Farm Improvement Loans Act for farm machinery purchases is indicated by the fact that consistently about 45 per cent of the new tractors and about 55 per cent of the new combines sold in Canada were financed in part by farm improvement loans (see table 16 for the six-year period for which statistics were available).

TABLE 16

NUMBER OF NEW TRACTORS AND COMBINES FINANCED BY FARM IMPROVEMENT LOANS AS A PERCENTAGE OF ALL TRACTORS AND COMBINES SOLD IN CANADA (ESTIMATED)

	1951	1952	1953	1954	1955	1956
Tractors.....	45	49	46	45	48	45
Combines.....	60	53	47	47	62	50

SOURCE: 1951-54—Annual Reports of Farm Improvement Loans Act.

1955 and 1956—Number of tractors and combines financed from Annual Reports of Farm Improvement Loans Act; Percentages derived from a comparison with total sales figures as indicated by D.B.S., Farm Implement and Equipment Sales.

Indeed, generally well over 80 per cent of the amount of Farm Improvement loans was for the purchase of farm machinery with a consistently higher proportion in Saskatchewan (see Table 17).

TABLE 17

PERCENTAGE OF AMOUNT OF FARM IMPROVEMENT LOANS USED FOR PURCHASE OF NEW AND USED FARM MACHINERY AND EQUIPMENT, INCLUDING TRUCKS, SASKATCHEWAN AND CANADA, 1945-1959

Year	Saskatchewan	Canada
1945 (10 months).....	n.a.	67.6
1946.....	n.a.	75.8
1947.....	n.a.	83.8
1948.....	95.9	91.2
1949.....	95.7	90.9
1950.....	96.1	92.1
1951.....	96.7	91.8
1952.....	97.1	92.4
1953.....	95.8	90.0
1954.....	90.9	83.9
1955.....	92.9	84.5
1956.....	92.5	85.9
1957.....	90.6	83.7
1958.....	89.0	79.3
1959.....	87.8	78.2
Average 1945-59.....	—	86.3

SOURCE: Annual Reports of Farm Improvement Loans Act.

During the period 1948-1959, the average loan for tractors (new and used) was \$1,295 for Canada and \$1,373 for Saskatchewan. The average loan for combines (new and used) was \$1,727 for Canada and \$1,755 for Saskatchewan. It might be expected that the average loan for new machinery would be somewhat higher than this. (see appendix A, table A-12).

As we have indicated, we have a number of recommendations that we believe would extend and improve the Farm Improvement Loans Act. First of all, the act although originally passed in 1944 has been extended each time for a period of only three years. It is recognized that the passage of legislation to extend the operation of the act has become almost automatic but the time-limit does introduce some uncertainty on the part of both the banks and farmers into their long-range plans. Therefore we urge that the expiry date should be removed from the legislation.

Second, it appears that at the current rate of lending the present maximum of \$300 million that may be loaned under terms of the act will be exhausted before the latest time-period is up. In 1959 when the Minister of Finance introduced the latest in the series of bills extending the operations of the act, he retained the former maximum of \$300 million, but this was to cover not a period of three years as was previously the case, but one of three and one-quarter years (April 1, 1959 to June 30, 1962). However, loans have been running at the rate of \$100 million a year, actually \$98 million in 1959, \$102 million in 1960 (see appendix A, table A-13). It would therefore appear that if loans continue at this rate the funds available under the act will be exhausted sometime early in 1962. We are pleased therefore to note that the federal government has introduced legislation at the present session of parliament increasing the \$300 million limit.

A third proposal is that the maximum amount of a farm improvement loan should be increased from \$7,500 to \$10,000. We do not suggest that there is presently a very significant proportion of farm improvement loans that approach the maximum but we do feel that when otherwise justified the amount available to be lent under this program should not be too narrowly restricted.

In the fourth place, we believe that the period of repayment of farm machinery loans should be extended. At the present time farm machinery loans must be repaid within three years. Bearing in mind the fact that the average life of a tractor or combine exceeds this margin considerably, it seems reasonable to extend the repayment period to something like five or six years. This would seem to provide adequate security at the same time as it would ease the financial burden on the farmer for the absence of such a provision has the effect of driving the farmer to other and more expensive forms of credit.

Fifth, we believe that farm improvement loans should be made available to farmers in co-operative farms to the same extent as individual farmers. At the present time, the maximum farm improvement loan available to a co-operative farm is the same as that available to an individual farmer. Thus the average loan available to the farmer associated in a co-operative farm is very much lower than that available to the individual farmer. Thus would appear to be unjust discrimination.

As a further proposal, we would recommend that credit unions, central credit unions and co-operative credit societies should be included as agencies which may be authorized to make loans under the Farm Improvement Loans Act. We believe that the public interest requires the widest possible application of co-operative principles to credit needs. The growing strength of the credit union movement requires this form of recognition.

SECTION VII

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

In our view, the question of farm machinery prices cannot be separated from the basic problem of the farm cost-price squeeze. The question of farm machinery prices is of urgent concern to Canadian farmers today because of the increasingly unfavourable ratio between the price of farm machinery and

the price of farm products. For instance, according to the D.B.S. index of farm machinery prices, a Saskatchewan farmer must today give almost three times as much wheat for a unit of farm machinery as was necessary in 1945. Had the prices of farm products advanced in common with other prices in the Canadian economy, increases in farm costs and more specifically in farm machinery, prices would not be such a heavy burden.

Despite the most rapid increase in productivity of any sector of the Canadian economy in the post-war period, income going to agriculture has lagged behind that of the rest of the nation. The reason for this is that farmers have very little control over the selling prices of their products in contrast to many other industries which are dominated by a few firms and able to maintain prices at a high level. Thus, although any reductions in farm machinery prices would have important benefits, the full benefits would not be realized unless fundamental changes in marketing and pricing policies are adopted by the federal government to enable agriculture to obtain a fair share of the national income.

We have noted the very considerable increase in the share of farm cash income required to meet the farm machinery bill (machinery operating costs and depreciation charges). In Saskatchewan this has climbed from under 20 per cent in the immediate post-war period to an average of 32 per cent in the period 1955-1959. We would also note that although in Saskatchewan in 1959, one-fifth of farm cash income available after the deduction of farm operating expenses went for farm machinery purchases (the second highest proportion of any year in the post-war period) this was not sufficient to maintain the stock of farm implements.

This effect of sharply reduced farm income and rising farm machinery prices is of special concern since no industry today can long continue to produce efficiently if its capital equipment is wearing out and is not being replaced at sufficient speed.

It is quite clear that since 1954 there has been a very marked deterioration in the condition of farm implements and equipment in western Canada. The estimated value of the stock of farm implements has fallen in just five years (1954-1959) by \$166 million for the prairie provinces and \$93 million for Saskatchewan alone. Also, the estimated age of tractors in Saskatchewan has risen alarmingly from 7.5 years in 1956 to 9.5 years in 1960. The estimated average age of combines in the province has increased from 7.9 years to 9.7 years in the same period. Obviously sales of farm machinery have been very much below replacement levels. This is also indicated by the fact that at the present average annual rate of sales since 1956 it would take 27 years to replace the present stock of tractors and 30 years to replace the combines.

Thus, the problem of farm machinery prices is particularly important at the present time since it is necessary not only to fill the ordinary annual requirements for machinery replacement but there is a heavy backlog of demand to catch up on.

We believe that federal measures to assure the maintenance of a stable and high level of farm income would contribute as much as any other factor to the most economic production of farm machinery. Farm machinery manufacturing and distribution facilities are set up to handle peak demand. When there is a sharp drop in sales, overhead costs continue at much the same level resulting in a considerable increase in the per unit manufacturing and distribution costs. In our opinion, it is essential that major fluctuations in farm income be eliminated as much as possible through establishment of an expanded program of orderly marketing, a pricing program for farm products relating prices to costs of production and assuring agriculture of a fair share of national income, an adequate federal crop insurance program to eliminate the effect of weather on farm income as much as possible, and other related measures.

Factory Prices of Farm Machinery

It is also imperative to determine the actual factory cost of farm implements in the post-war period. A special select committee of the Saskatchewan legislature was unable to do this in 1952 because of the refusal of the privately-owned farm machinery companies to supply necessary information. Therefore, we urge the House of Commons committee to conduct a thorough analysis of the accounts of the farm machinery companies to determine to what extent farm machinery prices have been justified by manufacturing costs and to determine the profit levels of the industry. We have submitted evidence concerning two of the farm machinery companies indicating that over the whole of the post-war period these companies have realized a rate of return that has been more than adequate.

In our view, a most important area for reduction in farm machinery costs lies in rationalization of farm machinery production and distribution. In Saskatchewan today there are nine major manufacturers of farm machinery offering complete lines of equipment. The cost of maintaining nine headquarters staff, nine research organizations, nine assembly lines turning out nine sets of machines designed to do the same thing, nine advertising and promotional campaigns and nine systems of dealerships, is surely too much for an agricultural economy caught in the vise of a cost-price squeeze to bear.

At the same time, even within individual firms the multiplicity of models and increased model changes would appear to have raised manufacturing as well as distribution costs. Industry policies of "planned obsolescence" are also raising costs.

Rationalization of the industry would result in savings through the standardization of farm machinery and parts, savings through the reduction in the total number of farm machinery models, savings through the elimination of unnecessary model changes and savings in distribution. The first of these was recommended by a House of Commons committee almost a quarter-century ago but we have seen only a few signs of this being achieved by the industry. Indeed we would suggest that the individual farm machinery companies have a vested interest in undermining such a program and therefore it seems unlikely that any very substantial standardization of farm machines and parts could be realized without direct government controls of some kind. We would also note that the problems of multiplicity of models and overly frequent model changes are a product of recent trends in company merchandising policy.

It is obvious that these savings, which should result in lower prices, cannot be realized without thorough reorganization of the industry. In the light of the inability or unwillingness of the industry itself to accomplish this, public intervention and regulation is essential.

Therefore, we would urge the committee to consider a three-fold program under which public, private and co-operative ownership of farm machinery production could be used to serve Canadian agriculture. This could involve the nationalization of the Canadian privately-owned farm machinery industry. An alternative would be federal loans to enable an enlarged co-operative farm machinery industry to be established.

Any national agency set up to manufacture and distribute farm machinery in Canada would of necessity have to be the sole importing agency of farm machinery also. Such an agency could either establish its own system of distribution or provide for the development and expansion of farmer-owned co-operatives and perhaps also employ in some instances the private distribution agencies.

These recommendations may appear to be drastic but it is sadly evident that the present system of farm machinery manufacture and distribution has

failed to provide Canadian farmers with machinery at reasonable prices. Therefore it is very evident that only such action has any chance of solving the problem.

If this program of public or co-operative ownership of the Canadian farm machinery industry is not proceeded with, it will be necessary to consider what alternative proposals can be made regarding the private manufacturing sector of the industry.

We would make at least two recommendations in this connection. First, we recommend the establishment of a federal farm machinery prices tribunal with authority, either on its own initiative or at the request of any farm organization or other group, to investigate the price of any farm implement, to determine whether this price is justified by cost of manufacture and if necessary, to rule that the price must be reduced.

Secondly, we recommend the establishment of an advisory technical body possibly attached to the proposed federal farm machinery prices tribunal to maintain a continuous review of the effect of model changes and multiplicity of models on manufacturing costs and also to recommend specific measures of standardization of farm machinery and parts. We believe that no farm machinery price increases should be approved unless the companies have indicated that appropriate measures to standardize production have been taken.

Transport Costs

We have reason to believe that not only have the post-war horizontal freight rate increases imposed an unfair burden on regions like western Canada but even within the region have imposed an unfair burden on farm implements. Therefore, we urge that the board of transport commissioners make a special investigation of railway freight rates on farm machinery to determine whether post-war freight rate increases have discriminated unfairly against movements of farm machinery. If discrimination is found to exist, the Board should order the reduction of such rates to more appropriate levels.

Distribution Costs

We believe that a thorough review of farm machinery distribution facilities should be made. In our opinion, a considerable element of duplication of facilities has added to distribution costs and while much of this could only be eliminated by the effective rationalization of farm machinery production, much could be done by the companies themselves on the regional level. To this end we urge the calling of western Canada and eastern Canada regional conferences representative of the federal government, the provincial governments concerned, the farm machinery companies, farm organizations and representatives of farm implement dealers to work out methods by which costs of distribution could be reduced. We recommend that one of the matters that should be studied is the present dealer appointment policy.

The irksome problem of repair parts supply would be eased by greater standardization of parts, less frequent model changes and other measures we have already suggested.

Public Testing Services for Farm Machinery

Saskatchewan's experience with a farm machinery testing program has indicated that very few new models of farm machines come on the market free from mechanical defects, a problem now being aggravated by the increasing number of models. In addition, it is clear that many farm machines are not designed primarily for Saskatchewan or western Canadian use. Also, the performance of farm machines under specialized conditions that may prevail here is often not indicated by company literature. Therefore, we believe that the Saskatchewan program is of substantial assistance to Saskatchewan agriculture and could be usefully extended to other areas.

We urge the establishment of western Canadian and also an eastern Canadian regional public farm machinery testing agency jointly financed by the federal government and provincial governments concerned. We believe that Saskatchewan's farm machinery testing agency could provide a useful basis for such a western Canadian agency.

Credit Costs

We urge the retention of the Farm Improvement Loans Act on a permanent basis, together with some improvements that will increase the beneficial effect of the operations of this Act. We would particularly urge the elimination of the present discrimination against co-operative farms.

Tariffs

We urge that the policy of tariff-free entry of farm machinery be continued. We believe that the abolition of tariffs on farm implements has been abundantly justified not only in terms of savings to agriculture but in terms of an economic interchange of production particularly between the United States and Canada.

APPENDIX "A"

TABLE A-1

AVERAGE FARM PRICE OF GRAIN, SASKATCHEWAN,
CROP YEARS 1945-1946 TO 1960-1961

(\$ per bushel)

Crop Year	Wheat	Barley	Oats for Grain
1945-46.....	1.64	0.65	0.50
1946-47.....	1.62	0.77	0.55
1947-48.....	1.63	1.11	0.79
1948-49.....	1.63	0.95	0.63
1949-50.....	1.61	1.28	0.74
1950-51.....	1.49	1.10	0.69
1951-52.....	1.52	1.08	0.68
1952-53.....	1.59	1.02	0.59
1953-54.....	1.33	0.83	0.56
1954-55.....	1.21	0.86	0.60
1955-56.....	1.38	0.86	0.61
1956-57.....	1.24	0.78	0.49
1957-58.....	1.29	0.76	0.50
1958-59.....	1.32	0.75	0.54
1959-60.....	1.20 ¹	0.71 ¹	0.62 ¹
1960-61.....	1.15 ²	0.71 ²	0.45 ²

SOURCE: D.B.S. Handbook of Agricultural Statistics, Part I—Field Crops, 1908-1958. D.B.S. Crop Reporting Series No. 2.

¹ Includes interim payment for wheat, final payments for oats and initial payment for barley.

² Initial payments only.

TABLE A-2

PERCENTAGE ANNUAL INCREASES IN FARM COSTS, WESTERN CANADA,
1945 TO 1960

	General Farm Costs ¹	Farm Machinery Prices ²
1945 to 1946.....	3.4	3.1
1946 to 1947.....	8.0	6.4
1947 to 1948.....	14.6	12.2
1948 to 1949.....	4.8	11.6
1949 to 1950.....	3.9	4.6
1950 to 1951.....	8.9	13.1
1951 to 1952.....	5.9	4.7
1952 to 1953.....	0.6 ³	0.7
1953 to 1954.....	0.7 ³	0.8
1954 to 1955.....	0.4 ³	0.3
1955 to 1956.....	3.7	5.0
1956 to 1957.....	3.2	6.5
1957 to 1958.....	2.6	5.6
1958 to 1959.....	3.2	4.7
1959 to 1960.....	2.1	2.3

SOURCE: D.B.S. Price Index Numbers of Commodities and Services used by Farmers.

¹ Composite Index of Farm Costs Exclusive of Living Component, Western Canada, basis 1935-39 = 100.² Index of Farm Machinery Prices, Western Canada, basis 1935-39 = 100.³ Decrease.

TABLE A-3

FARM MACHINERY, CANADA, 1921-1956

	1921	1931	1941	1951	1956
Automobiles.....	157,022 ¹	321,284	315,461	329,667	352,018
Motor Trucks.....	²	48,401	77,480	196,122	277,188
Tractors.....	47,455	105,360	159,752	399,686	499,811
Grain Combines.....	³	8,917	19,013	90,500	136,927
Grain Binders.....	³	431,403	³	303,374	³
Threshing Machines.....	³	105,544	93,001	96,691	³
Mowing Machines.....	³	³	³	423,272	³
Milking Machines.....	³	6,419	³	74,191	³
Gasoline Engines.....	136,632 ⁴	179,765	168,225	183,051	249,779
Electric Motors.....	³	18,639	58,192	196,681	³

SOURCE: Census of Canada.

¹ Includes trucks.² Included in automobiles.³ Not available.⁴ Farms reporting.

TABLE A-4
FARM MACHINERY, SASKATCHEWAN, 1921-1956

	1921	1926	1931	1936	1941	1946	1951	1956
Automobiles.....	36,098 ¹	52,177	65,094	54,464	57,093	58,022	62,963	64,941
Motor Trucks.....		3,267	10,938	10,338	21,285	27,756	52,626	74,498
Tractors.....	19,243	26,674	43,308	42,050	54,129	71,596	106,664	121,388
Grain Combines.....			6,019	6,420	11,202	22,498	42,997	61,861
Grain Binders.....						91,346	70,584	
Threshing Machines.....			129,177	120,033		19,936	19,221	
Mowing Machines.....			27,046	24,540	21,486		63,838	
Milking Machines.....							2,330	
Gasoline Engines.....	27,548 ¹		38,549	39,194	33,882	43,062	55,763	100,732
Electric Motors.....			1,702	2,552	1,708	6,891	12,711	

SOURCE: Census of Canada: Census of the Prairie Provinces.

¹ Includes motor trucks.

² Motor trucks included in automobiles.

³ Not available.

⁴ Farms reporting.

TABLE A-5
NUMBER OF TRUCKS, TRACTORS AND COMBINES PER MEMBER OF AGRICULTURAL LABOUR FORCE, BY PROVINCES, 1951

	Agricultural ¹ Labour Force	Motor Trucks Per Member of Agricultural Labour Force	Tractors Per Member of Agricultural Labour Force	Grain Combines Per Member of Agricultural Labour Force	Value of Farm Implements and Machinery	Value Per Member of Agricultural Labour Force
Canada.....	826,759	0.24	0.48	0.11	1,931,880	2,337
Prince Edward Island.....	12,943	0.13	0.21	²	16,261	1,256
Nova Scotia.....	23,479	0.24	0.18	²	25,224	1,074
New Brunswick.....	26,616	0.18	0.20	0.01	26,971	1,013
Quebec.....	195,410	0.10	0.16	²	211,937	1,085
Ontario.....	203,368	0.20	0.52	0.05	445,278	2,190
Manitoba.....	73,827	0.29	0.69	0.21	231,801	3,140
Saskatchewan.....	147,580	0.36	0.72	0.29	525,645	3,562
Alberta.....	115,096	0.35	0.69	0.18	390,003	3,389
British Columbia.....	28,440	0.33	0.46	0.02	58,760	2,066

SOURCE: D.B.S. Census of Canada.

¹ During the week ended June 2.

² Less than 0.005.

TABLE A-6

PERCENTAGE OF FARMS REPORTING SELECTED FARM IMPLEMENTS,
BY PROVINCE, 1956

	Motor Trucks	Tractors	Grain Combines
Canada.....	43.2	67.6	22.7
Newfoundland.....	28.7	11.4	—
Prince Edward Island.....	32.8	48.6	2.5
Nova Scotia.....	31.7	28.6	0.4
New Brunswick.....	23.5	31.7	2.7
Quebec.....	22.3	41.0	1.2
Ontario.....	37.6	75.2	11.6
Manitoba.....	53.4	85.8	42.0
Saskatchewan.....	63.9	88.8	56.8
Alberta.....	62.9	86.1	39.4
British Columbia.....	41.4	50.2	4.0

SOURCE: D.B.S. Census of Canada, 1956, Analytical Report on Farm Mechanization.

TABLE A-7
VALUE OF FARM CAPITAL, BY PROVINCES, 1951, 1959
(\$000)

	Canada	Newfoundland	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Atlantic Provinces
1951												
Land and Buildings.....	5,527,207	14,658	47,844	94,486	98,717	846,973	1,419,364	528,873	1,182,905	1,015,289	278,068	255,705
Implements and Machinery ¹	1,933,312	1,417	16,261	25,224	26,971	211,937	445,278	231,807	525,645	390,003	58,760	69,873
Livestock.....	2,010,357	3,582	23,048	32,755	32,091	340,453	683,328	156,113	283,223	384,824	71,437	91,476
Total Value.....	9,470,876	19,657	87,153	152,465	157,779	1,399,363	2,547,970	916,787	1,991,773	1,789,616	408,266	417,054
Implements and Machinery—% of Total....	20.4	—	—	—	—	15.1	17.5	25.3	26.4	21.8	14.4	16.8
1959 ²												
Land and Buildings.....	7,175,650	—	53,442	120,281	119,645	1,064,645	2,097,820	604,502	1,436,047	1,289,417	389,851	293,368
Implements and Machinery ¹	2,188,671	—	20,484	33,096	33,303	292,950	592,496	227,426	516,903	403,952	68,061	86,883
Livestock.....	1,986,218	—	17,203	26,902	25,557	335,215	611,118	157,100	303,021	433,032	77,070	69,662
Total Value.....	11,350,539	—	91,129	180,279	178,505	1,692,810	3,301,434	989,028	2,255,971	2,126,401	534,986	449,953
Implements and Machinery—% of Total....	59.3	—	—	—	—	17.3	17.9	23.0	22.9	19.0	12.7	19.3

SOURCE: 1951: D.B.S. Census of Canada; 1959: D.B.S. Quarterly Bulletin of Agricultural Statistics.

¹ Includes automobiles.

² Newfoundland excluded.

TABLE A-8

PERCENTAGE INCREASE IN NUMBERS OF SELECTED FARM IMPLEMENTS,
BY PROVINCE, 1951-1956

	Tractors	Grain Combines	Motor Trucks
Newfoundland.....	134.9	—	45.0
Prince Edward Island.....	74.4	1,222.2	93.4
Nova Scotia.....	51.8	450.0	26.6
New Brunswick.....	46.4	183.4	17.3
Quebec.....	69.9	252.6	50.0
Ontario.....	29.3	65.9	39.9
Manitoba.....	16.2	40.3	34.9
Saskatchewan.....	13.8	43.9	41.6
Alberta.....	18.8	60.8	47.9
British Columbia.....	16.2	54.3	26.6
Canada.....	25.1	51.3	41.3

SOURCE: D.B.S. Census of Canada, 1956, Analytical Report on Farm Mechanization.

TABLE A-9
INCOME OF FARM OPERATORS FROM FARMING OPERATIONS, SASKATCHEWAN
(\$000)

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Cash Income from Farm Products....	405,752	388,772	430,613	533,911	564,855	414,253	638,610	713,017	744,891	469,906	427,204	596,992	537,282	573,352	559,326
Operating and Depreciation Charges..	167,096	180,711	199,542	222,427	238,801	263,140	290,523	314,161	305,004	283,657	303,990	316,031	306,502	310,120	318,323
% of Cash Income from Farm Products.....	41.2	46.5	46.3	41.7	42.3	63.5	45.5	44.1	40.9	60.4	71.2	52.9	57.0	54.1	56.9
Machinery Operating Costs.....	47,394	51,874	56,265	68,017	75,972	84,930	88,336	92,432	97,193	97,576	100,845	108,358	113,460	116,041	120,829
Machinery Depreciation.....	22,148	24,581	28,355	33,880	40,971	49,455	57,821	59,663	63,277	67,093	64,726	62,048	60,689	58,324	56,559
Total Machinery Operating and Depreciation Costs.....	69,542	76,455	84,620	101,897	116,943	134,385	146,157	152,095	160,470	164,669	165,571	170,406	174,149	174,365	177,688
% of Operating and Depreciation Charges.....	41.6	42.3	42.4	45.8	49.0	51.1	50.3	48.4	52.6	58.1	54.5	54.0	56.8	56.2	55.8
% of Cash Income from Farm Products.....	17.1	19.7	19.7	19.1	20.7	32.4	22.9	21.3	21.5	35.0	33.8	28.5	32.4	30.4	31.8

Source: D.B.S. Handbook of Agricultural Statistics, Part II, Farm Income 1926-57. D.B.S. Farm Net Income 1958 and 1959.

TABLE A-10
FARM OPERATING EXPENSES AND DEPRECIATION CHARGES, SASKATCHEWAN
(\$000)

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Land and Buildings															
Taxes ¹	11,215	13,453	14,622	16,763	18,554	19,428	21,176	22,934	24,908	26,908	27,558	28,695	29,240	29,708	30,123
Gross Rent.....	32,930	33,129	37,000	37,029	36,000	39,654	47,548	57,446	58,367	18,600	36,400	33,398	24,220	21,003	22,743
Interest on Indebtedness ²	9,910	8,816	8,385	8,380	7,645	7,645	7,645	8,312	8,543	8,564	8,768	8,759	8,785	9,292	8,660
Building Repairs ³	2,467	3,723	4,021	5,029	5,224	5,324	5,169	10,353	10,912	11,002	10,396	11,755	10,807	11,761	13,040
	56,522	59,121	64,178	67,211	67,872	72,251	84,375	99,045	83,940	65,160	81,995	84,602	73,052	72,664	75,472
Hired Labour	17,953	20,564	21,103	20,046	20,296	21,728	23,601	26,617	24,940	20,223	20,735	22,100	20,371	21,253	21,017
Machinery Operating Costs															
Tractor.....	21,464	23,350	24,855	31,300	35,567	40,764	39,421	40,364	42,410	44,971	46,350	49,913	53,191	54,258	54,605
Truck.....	4,926	4,737	5,614	10,320	12,128	15,093	18,824	19,351	21,265	22,236	23,730	23,850	24,889	25,893	26,645
Automobiles ⁴	4,536	2,869	5,512	6,521	8,699	8,699	4,788	9,568	9,615	9,815	9,946	10,416	10,769	11,344	11,962
Engine and Combine.....	2,460	2,858	3,307	4,227	4,618	5,384	4,098	5,302	5,471	5,722	5,999	7,058	7,369	7,166	7,361
Machinery Repairs ⁵	12,908	13,880	13,977	15,519	16,449	14,890	15,305	17,847	18,402	14,832	14,820	17,121	17,242	17,380	20,256
	47,394	51,874	56,265	68,017	75,972	84,930	88,336	92,432	97,193	97,576	100,845	108,358	113,460	116,041	120,829
Other															
Feed and Seed ⁶	4,500	5,535	7,926	9,296	9,049	8,310	6,671	5,464	4,171	4,505	4,670	5,650	5,411	7,428	7,703
Fertilizer.....	604	656	964	1,265	1,776	2,443	2,973	2,783	3,572	2,788	1,918	2,061	2,308	2,226	2,834
Fruit and Vegetable Supplies ⁷	2,310	2,198	2,755	2,808	2,772	2,707	3,246	3,361	3,236	3,140	3,630	3,578	3,544	3,684	4,073
Electric Power.....	2	3	3	5	79	133	256	368	659	981	1,320	1,631	2,102	2,508	2,822
Miscellaneous.....	9,637	9,798	11,077	12,102	12,517	12,937	14,250	15,333	14,533	13,006	14,322	15,855	15,417	15,533	15,935
Total Operating	139,012	149,749	164,271	180,750	190,333	205,439	223,908	245,403	232,244	207,379	229,435	243,855	235,665	241,337	250,685
Depreciation, Building¹ and Machinery	28,084	30,962	35,271	41,677	48,468	57,701	66,615	68,758	72,760	76,278	74,555	72,196	70,837	68,783	67,638
Operating and Depreciation	167,096	180,711	199,542	222,427	238,801	263,140	290,523	314,161	305,004	283,657	303,990	316,051	306,502	310,120	318,323

Source: D.B.S., Handbook of Agricultural Statistics, Part II, Farm Income—1926-57; D.B.S. Farm Net Income, 1958 and 1959.

- ¹ Owned land and buildings only.
- ² Secured and unsecured debt.
- ³ Expenses incurred for farm business only.
- ⁴ Repair parts and machine shop charges.
- ⁵ Purchases through commercial channels only.
- ⁶ Pesticides, containers and nursery stock.

TABLE A-11

CHANGES IN FREIGHT RATE ON ASSUMED FARM MACHINE
BRANTFORD, ONTARIO TO REGINA, SASKATCHEWAN, 1948-1960

COMBINE—7,640 lbs. (Freight cost expressed in terms of rate per cwt. and total for machine)

Prior to April 8, 1948:

7,640 at \$1.28 — \$ 97.79

April 8, 1948 (21 per cent increase)

7,640 at \$1.55 — \$118.42

June 16, 1950 (20 per cent increase)

7,640 at \$1.86 — \$142.10

July 24, 1950 (withdrawal of commodity rate)

7,640 at \$1.99 — \$152.04

February 11, 1952 (17 per cent increase)

7,640 at \$2.33 — \$178.01

**May 1, 1952 (Bridge Subsidy allowed—2.53 per cent also 5.8 cents per 100 lbs.)*

7,640 at \$2.21 — \$168.84

**January 1, 1953 (9 per cent increase)*

7,640 at \$2.42 — \$184.89

**March 16, 1953 (7 per cent increase)*

7,640 at \$2.59 — \$197.88

**May 1, 1953 (Bridge Subsidy changed—3.5 per cent also 9.5 cents per 100 lbs.)*

7,640 at \$2.53 — \$193.29

**March 1, 1955 (Equalization Class Rates)*

7,640 at \$2.43 — \$185.65

**January 1, 1957 (11 per cent increase)*

7,640 at \$2.71 — \$207.04

**March 1, 1957 (Bridge Subsidy changed—3.5 per cent also 7.5 cents per 100 lbs.)*

7,640 at \$2.73 — \$208.57

**August 1, 1958 (Base rate changed)*

7,640 at \$2.72 — \$207.81

**December 1, 1958 (17 per cent increase)*

7,640 at \$3.19 — \$243.72

August 1, 1959 (17 per cent reduced to 10 per cent)

7,640 at \$2.97 — \$226.90

**December 1, 1959 (increase in bridge subsidy)*

7,640 at \$2.89 — \$220.80

May 6, 1960 (17 per cent reduced to 8 per cent instead of 10 per cent)

7,640 at \$2.83 — \$216.21

* A tariff was introduced on May 1, 1952, by Board Order 78767 dated April 16, 1952, reducing the rates between eastern Canada and western Canada on traffic via all rail routes passing over Frans, Oba or Hearst. This is now commonly known as the "Bridge Subsidy". It is revised, if necessary, yearly.

The legislation provides a seven million dollar subsidy to the railways to be reflected in a reduction in rates between eastern and western Canada.

A new tariff became effective December 1, 1959, reducing the rates by 4.72 per cent and 15 cents per 100 lbs.

SOURCE: Freight Services Division, Department of Industry and Information.

TABLE A-12
FARM IMPROVEMENT LOANS FOR NEW AND USED FARM IMPLEMENTS

CANADA

	Trucks			Tractors			Combines			Station Wagons		
	No. ¹	Amount	Average Loan	No. ¹	Amount	Average Loan	No. ¹	Amount	Average Loan	No. ¹	Amount	Average Loan
1948.....	2,722	\$ 2,852,450	\$ 1,048	12,810	\$ 13,036,910	\$ 1,018	4,883	\$ 7,673,779	\$ 1,572	—	\$ —	\$ —
1949.....	4,989	5,433,978	1,089	21,567	23,626,175	1,095	4,882	7,568,356	1,550	—	—	—
1950.....	8,108	8,702,798	1,073	25,443	29,386,614	1,155	7,857	12,866,259	1,638	—	—	—
1951.....	13,072	14,697,557	1,124	28,849	34,370,634	1,191	11,581	19,413,975	1,676	—	—	—
1952.....	13,900	15,882,927	1,143	30,431	37,021,375	1,217	15,289	25,833,413	1,690	—	—	—
1953.....	13,272	14,672,814	1,106	29,603	37,279,059	1,259	12,772	23,155,193	1,813	—	—	—
1954.....	8,368	8,347,839	1,098	20,029	24,508,536	1,224	4,961	7,800,428	1,572	—	—	—
1955.....	6,831	6,908,000	1,011	20,760	26,772,604	1,290	6,730	11,937,363	1,774	—	—	—
1956.....	6,585	7,289,156	1,107	18,978	26,712,519	1,408	6,693	11,512,345	1,720	—	—	—
1957.....	6,438	7,657,597	1,189	18,107	26,399,676	1,458	4,743	8,025,791	1,692	198	342,201	1,728
1958.....	7,117	8,643,985	1,215	21,705	34,032,775	1,568	5,163	9,751,144	1,889	334	543,792	1,628
1959.....	6,824	8,871,945	1,300	20,761	35,252,881	1,698	6,190	12,838,833	3077	274	446,501	1,650
Total 1948-59.....	98,226	109,961,046	1,119	269,043	348,399,749	1,295	91,744	158,396,879	1,727	—	—	—
SASKATCHEWAN												
1948.....	1,095	1,128,655	1,031	4,555	4,699,653	1,032	2,029	3,221,883	1,588	—	—	—
1949.....	1,949	2,106,661	1,081	7,209	8,377,370	1,162	2,360	3,695,942	1,566	—	—	—
1950.....	3,232	3,301,277	1,085	7,353	9,077,912	1,235	4,116	6,950,519	1,689	—	—	—
1951.....	4,408	5,094,431	1,158	7,357	9,472,534	1,288	5,791	9,829,271	1,697	—	—	—
1952.....	5,312	6,295,411	1,185	8,571	11,263,881	1,314	7,754	13,333,732	1,720	—	—	—
1953.....	4,396	5,138,085	1,169	8,133	11,156,817	1,363	6,331	11,838,766	1,873	—	—	—
1954.....	2,064	2,123,148	1,029	4,477	5,992,288	1,338	1,726	2,738,507	1,587	—	—	—
1955.....	1,508	1,553,547	1,030	4,094	6,242,699	1,423	2,870	5,295,461	1,845	—	—	—
1956.....	1,603	1,737,739	1,084	4,310	6,688,058	1,552	2,848	4,987,522	1,751	—	—	—
1957.....	1,607	1,888,537	1,175	3,999	6,406,583	1,602	1,553	2,514,297	1,683	31	54,581	1,761
1958.....	1,758	2,038,235	1,159	4,619	7,738,903	1,675	1,811	3,495,500	1,930	72	129,785	1,803
1959.....	1,852	2,266,221	1,237	4,831	8,820,199	1,826	2,204	4,606,988	2,090	65	122,951	1,892
Total 1948-59.....	30,574	34,671,947	1,134	69,558	95,517,879	1,373	41,393	72,628,338	1,755	—	—	—

SOURCE: Annual Reports of Farm Improvement Loans Act.

¹ In 1951 notes appeared explaining that the "number" referred to is the actual number of implements purchased, and not the number of persons borrowing.

TABLE A-13
FARM IMPROVEMENT LOANS AND CLAIMS
CANADA

Year	No. of Loans	Amount Loaned	No. of Claims	Amount Claimed	Claims as % of Loans
	No.	\$	No.	\$	%
1945 (10 months).....	4,311	3,381,742	—	—	—
1946.....	13,030	9,880,566	—	—	—
1947.....	22,046	18,160,821	—	—	—
1948.....	30,431	29,331,131	—	—	—
1949.....	44,775	45,879,080	13	10,264	0.022
1950.....	58,969	63,421,363	23	9,466	0.015
1951.....	75,063	85,326,227	18	6,500	0.008
1952.....	83,315	98,259,150	25	11,663	0.01
1953.....	83,962	97,892,760	95	52,878	0.05
1954.....	58,572	62,073,806	108	59,043	0.10
1955.....	60,755	69,105,521	229	135,251	0.20
1956.....	60,180	70,819,312	237	152,247	0.21
1957.....	57,988	69,427,874	257	180,822	0.26
1958.....	70,278	90,539,744	277	217,638	0.24
1959.....	71,143	98,427,519	261	189,415	0.19
1960 ¹	68,041	101,855,746			
Total.....	862,859	1,013,782,362	1,544 ²	1,025,188 ²	0.11 ²

SOURCE: Annual Report of Farm Improvement Loans Act, 1959. The figures for 1953 do not agree exactly with those in the 1953 annual report.

¹ Obtained by letter from Mr. H. J. MacBurney, Supervisor, The Farm Improvement Loans Act.

² For period 1945-1959 only.

APPENDIX B

ANALYSIS OF AGE OF STOCK OF FARM TRACTORS, SASKATCHEWAN,
1921-1960

This analysis of the age of the stock of farm tractors in Saskatchewan has been prepared on the basis of tractor population on farms as published at five-year intervals in the reports of the census of the prairie provinces and the census of Canada. The number of tractors at the beginning of the inter-censal period plus new tractor sales during the period less the number of tractors at the end of the inter-censal period provides an estimate of scrap-page during the period. For this purpose, it is assumed that there has been no net movement of new or used tractors into or out of the province (see table B-1). On the assumption that the tractors sold first are scrapped first, this estimate of scrappage enabled a table of the age composition of tractors in Saskatchewan to be set up (see table B-2). From this it is a relatively simple matter to calculate the estimated average age of tractors in Saskatchewan at given years on the basis that on June 1, all the tractors sold the previous year are one year old and so on. The average age of tractors, calculated in this manner, rose steadily during the depression and war period from 8.8 years in 1936 to 9.8 years in 1946 and dropped sharply under the impact of heavy post-war buying of tractors to 6.7 years in 1951. Since that time the average age of the stock of tractors has been rising and at particularly steep rate since 1956 to an estimated 9.5 years at June 1, 1960. If the sales of new tractors in 1961 do not exceed by a considerable margin the sales in 1960 we may expect that the average age of tractors will stand at approximately 10 years at June 1, 1961 or the highest lever ever attained.

It should be noted that this calculation of the average age of farm tractors represents a minimum estimate. In actual fact, we should expect that the pattern of tractor scrappage will vary somewhat from that which has been assumed. Some newer tractors will be scrapped before older ones and thus the average age of tractors will tend to be higher, although perhaps only slightly, than the figures presented here.

TABLE B-1

TRACTORS ON FARM, NEW SALES AND APPARENT SCRAPPAGE
SASKATCHEWAN, 1921-1960

	Stock as at June 1	New Sales in ensuing 5 year period	Apparent Scrappage in ensuing 5 year period
1921.....	19,243	11,067	3,636
1926.....	26,674	27,671	11,037
1931.....	43,308	2,374	3,632
1936.....	42,050	18,127	6,048
1941.....	54,129	23,256	5,789
1946.....	71,596	55,114	20,046
1951.....	106,664	35,639	20,965
1956.....	121,388	17,933 ¹	10,527 ^{1,2}
1960.....	128,974 ³		

SOURCE: D.B.S. Census Reports; D.B.S. Farm Implement and Equipment Sales; Canadian Farm Implements.

¹ Four year period only.

² Estimated assuming same relationship of scrappage to new sales as prevailed in 1951-1956.

³ Estimated on basis of new sales reports and estimate of scrappage.

TABLE B-2

AGE COMPOSITION OF TRACTOR POPULATION, SASKATCHEWAN

Age of Tractor	1936	1941	1946	1951	1956	1960
0	665	2,620	2,950	4,473	2,472	2,412
1	669	6,150	5,391	12,046	4,150	4,829
2	395	3,494	5,651	15,999	5,066	4,090
3	232	3,162	2,306	10,678	9,919	4,129
4	279	2,036	4,338	8,967	9,608	4,945
5	267	1,330	5,240	5,901	8,947	4,150
6	4,350	669	6,150	5,391	12,046	5,066
7	6,906	395	3,494	5,651	15,999	9,919
8	8,703	232	3,162	2,306	10,678	9,608
9	5,727	279	2,036	4,338	8,967	8,947
10	3,704	267	1,330	5,240	5,901	12,046
11	2,176	4,350	669	6,150	5,391	15,999
12	1,213	6,906	395	3,494	5,651	10,678
13	2,524	8,703	232	3,162	2,306	8,967
14	2,475	5,727	279	2,036	4,338	5,901
15	1,655	3,704	267	1,330	5,240	5,391
16	110	2,176	4,350	669	4,709	5,651
17	—	1,213	6,906	395	—	2,306
18	—	716	8,703	232	—	3,760
19	—	—	5,727	279	—	—
20	—	—	2,020	267	—	—
21	—	—	—	4,350	—	—
22	—	—	—	3,310	—	—
23	—	—	—	—	—	—
Total..	42,050	54,129	71,596	106,664	121,388	128,794
Average age in years...	8.8	9.2	9.8	6.7	7.5	9.5

At the same time there are certain factors that may tend to reduce these estimates or at least to mitigate the effects of them but it will be suggested that these will not be significant enough to change fundamentally the conclusions to be drawn from this study. This would particularly apply to the last decade.

Since the dominion bureau of statistics did not obtain data of farm implement sales on a provincial basis before 1957, the statistics of sales published by Canadian Farm Implements in its issue of January, 1958 have been used for the period from 1921 to 1956. The latter publication obtained the information on which is based its reports from the manufacturers and distributors of farm machinery throughout Canada and accordingly there is a very close parallel between its published statistics and that of the dominion bureau of statistics. However, a comparison for the period 1944-1956 of sales of farm tractors in the prairie provinces as published by the two sources reveals that over the period the D.B.S. records about 3600 more new tractor sales than does Canadian Farm Implements. This, however, is a divergence of only about 1.5 per cent. Even in the unlikely event that all of this divergence could be accounted for in Saskatchewan sales, the results of this study would not be materially affected.

Since until 1958 sales of farm tractors were available on a calendar year basis only it has been necessary to make an estimate of the proportion of sales made by June 1 which is the operative date for census purposes. It is indicated that 58.5, 58.3 and 60.7 per cent of the sales of farm tractors in the Prairie Provinces and British Columbia had taken place before July 1 in 1958,

1959 and 1960 respectively. Accordingly, throughout the study it has been assumed that half of the annual sales of tractors were made before June 1 (see table B-3).

TABLE B-3

NEW TRACTOR SALES, PRAIRIE PROVINCES AND BRITISH COLUMBIA

Tractors	1958	1959	1960
January 1—June 30.....	6,446	7,395	7,507
Total Year.....	11,028	12,686	12,372
Percentage of half year of total.....	58.5	58.3	60.7

SOURCE: D.B.S. Farm Implement and Equipment Sales, Quarterly.

Tractor scrappage since 1956 has been assumed to bear the same relationship to new sales as prevailed from 1951 to 1956. In other words, it has been assumed that for every 1,000 new tractors bought 587 old tractors have been scrapped. This may introduce a moderate error into the results for it seems likely that tractor scrappage has been somewhat higher in relation to sales since 1956 than before. If tractor scrappage in relation to numbers on the farm was maintained at the same rate since 1956 as from 1951 to 1956 scrap-page would have exceeded sales and the number of tractors on the farm would have been reduced. There is no evidence to corroborate such a possibility. If for every 1,000 new tractors purchased 1,000 old tractors are scrapped, the average age of tractors on the farm at June 1, 1960 is reduced by one-half year. Such a situation also seems unlikely but remains a possibility.

It is recognized that hours of work performed is a more relevant criterion than age to determine the extent to which the useful life of a tractor has been exhausted. Nevertheless the unavailability of evidence on tractors hours of work makes necessary the reliance on age analysis. There would appear to be no particular reason to quarrel with an assumption that the older a tractor may be the more hours of work it is likely to have performed. Therefore a considerable increase in the average age of tractors could quite legitimately be regarded as an indication of a deterioration of tractor stock.

It is also recognized that the average economic life of a tractor may have been increasing. There is evidence to this effect although there is considerable difficulty in measuring the change. However it is suggested that even if it is true for the longer run it would not operate to reduce to any material extent the trend in Saskatchewan from 1951 to 1960. It should be noted that the federal Department of Agriculture has used over a considerable period the estimate of 10,000 hours of useful life in a tractor.

A factor operating to mitigate the effect of the increasing average age of the tractor population is the trend towards greater horsepower in the new tractors sold.

An even clearer picture of the age of tractors on Saskatchewan farms is obtained by analyzing them in terms of age groups (see table B-4).

TABLE B-4

AGE COMPOSITION OF TRACTOR POPULATION, SASKATCHEWAN

Age-Groups	1936		1941		1946	
	Number	% of Total	Number	% of Total	Number	% of Total
0 - 5 years.....	2,507	6.0	18,792	34.7	25,876	36.1
6 - 10 years.....	29,390	69.9	1,842	3.4	16,172	22.6
11 years and over.....	10,153	24.1	33,495	61.9	29,548	41.3
Total.....	42,050	100.0	54,129	100.0	71,596	100.0

Age-Groups	1951		1956		1960	
	Number	% of Total	Number	% of Total	Number	% of Total
0 - 5 years.....	58,064	54.3	40,162	33.1	24,555	19.1
6 - 10 years.....	22,926	21.5	53,591	44.1	45,586	35.4
11 years and over.....	25,674	24.1	27,635	22.8	58,653	45.5
Total.....	106,664	100.0	121,388	100.0	128,794	100.0

SOURCE: Table B-2.

This indicates that the proportion of tractors five years old and under was less in 1960 than any census year since 1936. The proportion of tractors 11 years old and over has doubled since 1956 and is at the highest point in the post-war period.

APPENDIX C

ANALYSIS OF AGE OF STOCK OF FARM TRACTORS,
PRAIRIE PROVINCES, 1921-1960

Appendix B provides an explanation of the basis of the method followed in estimating the age of the stock of farm tractors. There is one slight difference in sources. As in the case of Saskatchewan sales of farm tractors, the source of information for sales of farm tractors in the prairie provinces for the years 1921-1943 is the trade magazine *Canadian Farm Implements*. However, following the principle of using dominion bureau of statistics information whenever it is available, tractor sales in the prairie provinces from 1944 to 1960 is based on D.B.S. while the source of tractor sales for Saskatchewan from 1944 to 1956 is *Canadian Farm Implements* and from 1957 to 1960 is D.B.S. However it does not seem likely that this will operate to change the result to any considerable extent. Table C-1 indicates that the difference between the total sales as supplied by the two sources is a little more than one per cent.

TABLE C-1
SALES OF FARM TRACTORS, PRAIRIE PROVINCES, 1944-1957

Years	Basis: Canadian Farm Implements	Basis: D.B.S. Farm Implement and Equipment Sales
1944.....	12,407	12,209
1945.....	11,360	11,173
1946.....	12,695	12,250
1947.....	19,045	19,113
1948.....	23,696	25,299
1949.....	35,017	36,006
1950.....	27,962	29,585
1951.....	22,194	22,294
1952.....	21,430	21,755
1953.....	20,536	21,025
1954.....	11,709	11,725
1955.....	10,318	10,097
1956.....	11,036	10,513
Total.....	239,405	243,044

The age of farm tractors has followed a trend similar to that of Saskatchewan although it is indicated that the average age of farm tractors for the whole of the prairie provinces has consistently been below that of Saskatchewan alone. The estimated average age of farm tractors fell from 9.0 years in 1946 to 6.1 years in 1951, rose slightly to 6.3 years in 1956 and rose sharply to 8.5 years in 1960 (see table C-3).

The percentage of tractors 11 years and over dropped from 35 per cent in 1946 to 23 per cent in 1951 to 12 per cent in 1956. However, it is estimated that at June 1, 1960 about 34 per cent of tractors in the prairie provinces were 11 years old or over. It is worth noting that the percentage of tractors five years old and under is the lowest since 1936 (see table C-4).

TABLE C-2
TRACTORS ON FARMS, NEW SALES AND APPARENT SCRAPPAGE
PRAIRIE PROVINCES, 1921-1960

Year	Stock as at June 1	New Sales in Ensuing Five Year Period	Apparent Scrappage in Ensuing Five Year Period
1921.....	38,585	19,524	7,973
1926.....	50,136	54,367	22,844
1931.....	81,659	7,437	7,439
1936.....	81,657	45,745	14,778
1941.....	112,624	50,114	11,577
1946.....	151,161	127,847	42,078
1951.....	236,930	107,528	69,649
1956.....	274,809	42,714 ¹	27,667 ^{1,2}
1960.....	289,851 ³		

SOURCES: D.B.S. Census reports; D.B.S. Farm Implement and Equipment Sales; Canadian Farm Implements.

¹ Four year period only.

² Estimated.

³ Estimated on basis of new sales reported and estimate of scrappage.

TABLE C-3
AGE COMPOSITION OF TRACTOR POPULATION, PRAIRIE PROVINCES
(As of JUNE 1)

Age	1936	1941	1946	1951	1956	1960
0	1,792	5,680	6,115	11,147	5,257	5,774
1	2,157	12,782	11,234	29,585	10,097	11,761
2	1,455	8,755	12,209	36,006	11,725	10,231
3	762	9,582	4,812	25,229	21,025	9,692
4	878	7,154	10,065	19,764	48,277	10,513
5	787	3,584	11,359	12,231	22,294	10,097
6	8,991	2,157	12,782	11,234	29,585	11,725
7	14,557	1,455	8,755	12,209	36,006	21,025
8	17,143	762	9,582	4,812	25,229	48,277
9	10,026	878	7,154	10,065	19,764	22,294
10	6,513	787	3,584	11,359	12,231	29,585
11	4,053	8,991	2,157	12,782	11,234	36,006
12	2,112	14,557	1,455	8,755	12,209	25,229
13	4,166	17,143	762	9,582	4,812	19,764
14	4,222	10,026	878	7,154	5,064	12,231
15	2,043	6,513	787	3,584	—	5,647
16	—	1,818	8,991	2,157	—	—
17	—	—	14,557	1,455	—	—
18	—	—	17,143	762	—	—
19	—	—	6,780	878	—	—
20	—	—	—	787	—	—
21	—	—	—	5,393	—	—
22	—	—	—	—	—	—
23	—	—	—	—	—	—
24	—	—	—	—	—	—
Total	81,657	112,624	151,161	236,930	274,809	289,851
Average Age in Years...	8.3	8.1	9.0	6.1	6.3	8.5

TABLE C-4
AGE COMPOSITION OF TRACTOR POPULATION, PRAIRIE PROVINCES
(as of June 1)

Age Groups	1936		1941		1946		1951		1956		1960	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
0 - 5 years.....	7,831	9.6	47,537	42.2	55,794	30.9	133,962	56.5	118,675	43.2	58,068	20.0
6 - 10 years.....	57,230	70.2	6,039	5.4	41,857	27.7	49,679	21.0	122,815	44.7	132,906	45.9
11 years and over.....	16,596	20.3	59,048	52.4	53,510	35.4	53,289	22.5	33,319	12.1	98,877	34.1
Total.....	81,567	100.0	112,624	100.0	151,161	100.0	236,930	100.0	274,809	100.0	289,851	100.0

APPENDIX D

ANALYSIS OF AGE OF STOCK OF GRAIN COMBINES,
SASKATCHEWAN, 1926-1961

The method followed and the sources utilized are the same as indicated in Appendix B in calculating the average age of farm tractors in Saskatchewan with the exception that in the case of grain combines it is assumed that all of the sales in the year have taken place after June 1 of that year. This is borne out by D. B. S. quarterly reports on farm implement sales for the years 1958-1960 which indicate that only a very small proportion of combine sales had taken place in the first two quarters.

Table D-1 sets out the pattern of sales and apparent scrappage of grain combines in Saskatchewan since 1926. This indicates that only in the period 1951-1956 has there been a significant number of grain combines scrapped.

TABLE D-1
COMBINES ON FARMS, NEW SALES AND APPARENT SCRAPPAGE
SASKATCHEWAN, 1926-1961

Year	Stock as at June 1	New Sales in Ensuing Five Year Period	Apparent Scrappage in Ensuing five Year Period
1926.....	0 (est.)	6,309	290
1931.....	6,019	491	90
1936.....	6,420	4,967	185
1941.....	11,202	11,296 ¹	0
1946.....	22,498	22,444	1,745
1951.....	42,997	27,340	8,476
1956.....	61,861	10,444	3,238 ²
1961.....	69,067 ³		

SOURCES: D.B.S. Census reports, D.B.S. Farm Implement and Equipment Sales, annual and quarterly, and Canadian Farm Implements, January, 1958, page 17.

¹ Basic figures taken from *Canadian Farm Implements*, January 1958, page 17, and adjusted upwards by 656 to meet the census total on farms given for 1946 and allowing for no scrappage for this wartime period.

² Estimated assuming same relationship of scrappage to new sales as prevailed in 1951-1956.

³ Estimated on basis of new sales reports and estimate of scrappage.

TABLE D-2

AGE COMPOSITION OF COMBINE POPULATION, SASKATCHEWAN¹
(as of June 1)

Age	1936	1941	1946	1951	1956	1960	1961
1	260	3,110	3,356	5,879	2,511	2,324	2,841
2	9	1,083	2,700	4,611	1,831	1,595	2,324
3	35	502	1,164	4,862	7,633	1,258	1,595
4	95	30	2,120	4,128	8,589	2,426	1,258
5	92	242	1,956	2,764	6,776	2,511	2,426
6	939	260	3,110	3,356	5,879	1,831	2,511
7	2,484	9	1,083	2,700	4,611	7,633	1,831
8	2,356	35	502	1,164	4,862	8,589	7,633
9	150	95	30	2,120	4,128	6,776	8,589
10	—	92	242	1,956	2,764	5,879	6,776
11	—	939	260	3,110	3,356	4,611	5,879
12	—	2,484	9	1,083	2,700	4,862	4,611
13	—	2,321	35	502	1,164	4,128	4,862
14	—	—	95	30	2,120	2,764	4,128
15	—	—	92	242	1,956	3,356	2,764
16	—	—	939	260	981	2,700	3,356
17	—	—	2,484	9	—	1,164	2,700
18	—	—	2,321	35	—	2,120	1,164
19	—	—	—	95	—	580	1,819
20	—	—	—	92	—	—	—
21	—	—	—	939	—	—	—
22	—	—	—	2,484	—	—	—
23	—	—	—	576	—	—	—
24	—	—	—	—	—	—	—
Total...	6,420	11,202	22,498	42,997	61,861	67,107	69,067
Average Age in Years...	6.9	7.3	7.5	7.0	7.9	9.7	10.1

¹ All combines are presumed to be bought after June 1. Therefore those combines classed as one year old have been through one harvesting season, although technically they are not yet one year old.

It would appear that the average age of combines in Saskatchewan has shown less fluctuation than that for tractors declining only slightly from 1946 to 1951 when the average age of tractors was dropping by about one-third. However, the average age of combines has shown the same upward trend from 1951 to 1956 and from 1956 to 1960 as that of tractors having climbed to an estimated 9.7 years at June 1, 1960 and being expected to reach over 10 years at June 1, 1961 (see table D-2).

The percentage of combines in Saskatchewan over ten years old has climbed sharply from 20 per cent in 1956 to 39 per cent in 1960 (see table D-3) again showing a trend similar to that of tractors.

TABLE D-3
AGE COMPOSITION OF COMBINE POPULATION, SASKATCHEWAN
(as at June 1)

Age Groups	1936		1941		1946		1951		1956		1960		1961	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
1-5 years.....	491	7.6	4,967	44.3	11,296	50.2	22,244	51.7	27,340	44.2	10,114	15.1	10,444	15.1
6-10 years.....	5,929	92.4	491	4.4	4,967	22.1	11,296	26.3	22,244	36.0	30,708	45.8	27,340	39.6
Over 10 years.....	—	—	5,744	51.3	6,235	27.7	9,457	22.0	12,277	19.8	26,285	39.2	31,283	45.3
Total.....	6,420	100.0	11,202	100.0	22,498	100.0	42,997	100.0	61,861	100.0	67,107	100.0	69,067	100.0

Source: Table D-2.

APPENDIX E
ANALYSIS OF AGE OF STOCK OF GRAIN COMBINES,
PRAIRIE PROVINCES, 1926-1961

The method followed and the sources utilized are the same as those followed in analyzing the age of tractors for the Prairie Provinces (see Appendices B and C).

Again as in the case of tractors, the average age for combines in the prairie provinces as a whole is indicated as being lower than that for Saskatchewan alone although similar trends are exhibited (see table E-2). In the same manner the age composition of combines shows a similar increasingly heavy concentration of older combines (see table E-3).

TABLE E-1
COMBINES ON FARMS, NEW SALES AND APPARENT SCRAPPAGE,
PRAIRIE PROVINCES, 1926-1961

Year	Stock as at June 1	New Sales in Ensuing Five Year Period	Apparent Scrappage in Ensuing Five Year Period
1926.....	0 (est.)	9,545	648
1931.....	8,897	998	68
1936.....	9,827	9,050	796
1941.....	18,081	20,789 ¹	0
1946.....	38,870	45,705	5,458
1951.....	79,117	54,137	16,437
1956.....	116,817	23,880	7,250 ²
1961.....	133,447 ³		

SOURCE: D.B.S. Census reports for five-year totals on farms; D.B.S. Farm Implement and Equipment Sales, annual and quarterly for 1944 and following; Canadian Farm Implements, January 1958, page 17, for years prior to 1944.

¹ Basic figures from Canadian Farm Implements, Jan. 1958, page, 17 and adjusted upwards by 385 to meet the census total on farms for 1946 and allowing for no scrappage.

² Estimated, assuming same ratio of scrappage to new sales as in 1951-1956.

³ Estimated on basis of new sales reports and estimate of scrappage.

TABLE E-2

AGE COMPOSITION OF COMBINE POPULATION, PRAIRIE PROVINCES¹

(as at June 1)

Age	1936	1941	1946	1951	1956	1960	1961
1	502	4,756	6,078	11,026	4,912	5,541	5,751
2	68	2,441	4,879	10,426	4,032	3,989	5,541
3	77	1,175	2,339	10,771	15,075	3,284	3,989
4	172	248	3,926	8,203	17,277	5,315	3,284
5	179	430	3,567	5,279	12,841	4,912	5,315
6	1,614	502	4,756	6,078	11,026	4,032	4,912
7	3,500	68	2,441	4,879	10,426	15,075	4,032
8	3,657	77	1,175	2,339	10,771	17,277	15,075
9	58	172	248	3,926	8,203	12,841	17,277
10	—	179	430	3,567	5,279	11,026	12,841
11	—	1,614	502	4,756	6,078	10,426	11,026
12	—	3,500	68	2,441	4,879	10,771	10,426
13	—	2,919	77	1,175	2,339	8,203	10,771
14	—	—	172	248	3,679	5,279	8,203
15	—	—	179	430	—	6,078	5,279
16	—	—	1,614	502	—	4,879	6,078
17	—	—	3,500	68	—	514	3,647
18	—	—	2,919	77	—	—	—
19	—	—	—	172	—	—	—
20	—	—	—	179	—	—	—
21	—	—	—	1,614	—	—	—
22	—	—	—	961	—	—	—
23	—	—	—	—	—	—	—
24	—	—	—	—	—	—	—
Total...	9,827	18,081	38,870	79,117	116,817	129,442	133,447
Average Age in Years...	6.8	6.7	6.9	5.9	6.4	9.0	9.5

¹ All combines are presumed to be bought after June 1. Therefore those combines classed as one year old have been through one harvesting season, although technically they are not yet one year old.

TABLE E-3
AGE COMPOSITION OF COMBINE POPULATION, PRAIRIE PROVINCES
(as at June 1)

Age Groups	1936		1941		1946		1951		1956		1960		1961	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
1 - 5 years.....	998	10.2	9,050	50.1	20,789	53.5	45,705	57.8	54,137	46.3	23,041	17.8	23,880	17.9
6 - 10 years.....	8,829	89.8	998	5.5	9,050	23.3	20,789	26.3	45,705	39.1	60,251	46.5	54,137	40.6
Over 10 years.....	—	—	8,033	44.4	9,031	23.2	12,623	16.0	16,975	14.5	46,150	35.7	55,430	41.5
Total.....	9,827	100.0	18,081	100.0	38,870	100.0	79,117	100.0	116,817	100.0	129,442	100.0	133,447	100.0

Source: Table E-2.

APPENDIX F

ANALYSIS OF RETURNS ON INVESTMENTS OF TWO FARM
MACHINERY COMPANIES AND OF GROSS OPERATING PROFIT
IN CANADIAN FARM MACHINERY INDUSTRY

This analysis of the earnings and dividends of Cockshutt Farm Implement Company and Massey-Ferguson Limited is a continuation of the financial study of these companies done in 1952 for the select special committee on farm machinery of the Saskatchewan legislature, by the accounting firm of Messrs. Millar, Macdonald and Company. The same general method has been followed. Except for certain minor changes, the figures for the years 1947 to 1951 have been taken from the 1952 study. Data for the years after 1951 has been obtained directly from the published annual financial reports of the two companies.

The following notes apply to the statements included in this study:

1. Invested capital comprises common and preferred capital stock, earned and deferred surplus, bonds and surplus reserves (inventory, contingent, and pension). The invested capital shown is the average of the balance at the end of the fiscal year and the balance at the beginning of the fiscal year.
2. Stockholders' investment is invested capital as defined in note 1 less the average of bonds outstanding at the end and beginning of the fiscal year.
3. The profits shown under invested capital are the published profits adjusted for non-operating items (provision for contingencies etc.) plus bond interest. For instance, in the year 1955 Massey-Ferguson's adjusted net profit before tax of \$16,982,530, shown under invested capital, is made up of \$13,396,031 (profits before income taxes) plus \$1,870,891 (interest on funded debt) plus \$1,715,608 (pension costs).
4. The profits shown under stockholders' investment are the profits adjusted as in note 3 but with bond interest deducted.
5. In calculating the capital stock paid up per share and profits per share, the number of shares used is the actual number outstanding at the end of that fiscal year (adjusted as will be indicated to reflect stock splits).
6. The number of shares outstanding has been expressed throughout in terms of 1960 stock equivalent. Calculations of earnings per share in the years 1947 to 1951 inclusive are based on the 1952 committee report but they have been adjusted to 1960 stock equivalent terms.
7. All averages shown are weighted.
8. In the Massey-Ferguson statement, (table F-3), the full amount of the deductions for pension provisions for each year, which the company deducted from income account, has been added back to profits as it is not known what amount is needed to meet actuarial requirements. The pension reserve account on the consolidated balance sheet has been added to surplus to determine investment.
9. In the Cockshutt statement, the 1954 loss is shown as greater before taxes than after taxes. This is due to the recovery of taxes paid the previous year, the whole of which was added back in 1954.

The conclusions which may be drawn from the financial statements of the two companies regarding profits on farm machinery sales must be modified by a number of considerations. The most important of these is that the number of subsidiary companies included in the consolidated statements have changed from time to time. This is particularly true of Massey-Ferguson, which, because of its program of expansion, has changed its basis of consolidation from a North American one to one including subsidiary companies operating in many

parts of the world. For instance, up to 1953, Massey-Ferguson's financial statements covered operations in only the United States and Canada, but since 1956 North American sales have made up less than half of total sales of the Company. North American sales in the 1956-1960 period ranged from 33.5 per cent to 45.8 per cent of the total world sales by the company. In the same period the Canadian market provided an average of 11.5 per cent of total Massey-Ferguson sales, ranging from 9.6 per cent to 12.7 per cent. The extent to which changes in the profit picture might be obscured by this is indicated by the statement that Massey-Ferguson would have declared a loss of over \$1 million in 1956 if they had not changed from a North-American to a world-wide basis of consolidation.¹

A second factor which complicates any analysis of the returns realized from the manufacture of farm machinery is the considerable proportion of non-farm items produced by farm machinery companies. For instance, defense production made up a significant part of Massey-Ferguson's sales during part of the last decade (see table F-1). In addition, sales of diesel engines, outboard motors and other products were also made (see table F-2).

TABLE F-1
Massey-Ferguson Company Limited
Sales of Products for Defense Production
as Proportion of Total Sales

<i>Year</i>	<i>Percentage</i>
1951	—
1952	15.0
1953	18.0
1954	12.2
1955	4.6
1956	0.8
1957	0.1

Source: 1957 Annual Report of Massey-Ferguson Company

¹ Massey-Harris-Ferguson Annual Report, 1956, note 1 to Consolidated Financial Statements.

TABLE F-2
MASSEY-FERGUSON LIMITED—NET WORLD SALES BY PRODUCTS

	1956		1957		1958		1959		1960		Average 1956-60	
	\$000	% of Total	\$000	% of Total	\$000	% of Total	\$000	% of Total	\$000	% of Total	\$000	% of Total
Tractors.....	157,715	44.4	188,449	48.2	193,019	45.9	215,291	45.3	221,428	45.2	195,180	45.8
Grain Harvesting Equipment.....	80,174	22.6	88,304	22.6	96,367	22.9	100,513	21.1	86,422	17.6	90,356	21.2
Hay Harvesting Equipment.....	15,516	4.4	16,363	4.2	27,144	6.5	29,545	6.2	28,732	5.9	23,443	5.5
Other Products.....	61,892	17.4	55,812	14.3	58,701	14.0	36,690	11.9	57,446	11.7	58,108	13.6
Parts.....	39,827	11.2	41,889	10.7	44,978	10.7	48,921	10.3	48,742	9.9	44,871	10.5
Diesel Engines.....	—	—	—	—	—	—	24,584	5.2	47,644	9.7	36,114 ¹	7.5 ¹
Total.....	335,124	100.0	390,757	100.0	420,209	100.0	475,544	100.0	490,414	100.0	426,410	

SOURCE: Massey-Ferguson Annual Report, 1960.
¹ Two-year average.

TABLE F-3
MASSEY-FERGUSON LIMITED (FORMERLY MASSEY-HARRIS)
STATEMENT OF RETURN ON INVESTMENT CAPITAL AND STOCKHOLDERS' INVESTMENT

Year	Invested Capital	Invested Capital			Stockholders' Investment		
		Profits (\$000)		Return %	Profits (\$000)		Return %
		Before Taxes	After Taxes	Before Taxes	Before Taxes	After Taxes	After Taxes
	(\$000)						
1947.....	49,854	9,005	4,865	18.1	8,481	4,341	25.3
1948.....	61,120	18,501	10,898	30.3	17,919	10,316	43.6
1949.....	77,619	29,604	17,604	38.1	28,642	16,642	56.9
1950.....	93,608	35,863	19,588	38.3	34,807	18,532	54.7
1951.....	106,030	35,320	18,043	33.3	34,156	16,879	46.7
1952.....	120,528	28,010	15,460	23.2	26,607	14,057	32.5
1953.....	141,677	18,526	10,876	13.1	16,626	8,976	17.5
1954 ¹	155,337	19,265	10,865	12.4	17,266	8,866	16.0
1955.....	169,596	16,983	11,108	10.0	15,112	9,237	12.2
1956 ²	204,076	10,702	6,293 ³	5.2	7,734	3,327	5.4
1957.....	221,966	14,330 ⁴	8,988	6.5	10,921	5,580	7.5
1958 ⁵	218,873	25,115	16,428	11.5	21,712	13,025	14.9
1959 ⁶	255,009	30,607	24,461	13.6	27,164	21,018	15.9
1960.....	290,944	25,981	17,993	8.9	21,142	13,154	10.8
Annual Averages							
1947-53.....	92,919	24,976	13,905	26.9	23,891	12,820	38.1
1954-60.....	216,543	20,426	13,734	9.4	17,293	10,601	11.7
1947-60.....	154,731	22,701	13,819	14.7	20,592	11,711	19.6

¹ Prior to 1954, statements were consolidated for U.S. and Canadian operations; 1954 consolidated includes U.K. and Ferguson interests in U.S. and Canada.

² "World-wide" basis of consolidation 1956 and hereafter; on the 1955 basis there would have been a declared net loss of \$1,162,000.

³ Including prior years taxes recoverable.

⁴ Before taxes payable and recoverable.

⁵ Consolidated statements for 1958 include 14 months for Argentine and Brazilian companies, and 16 months for certain Australian companies.

⁶ Includes Standard works (tractors) and Societe Standard-Hotchkiss, France, and Perkins group (U.K.).

TABLE F-4
MASSEY-FERGUSON COMPANY LIMITED (FORMERLY MASSEY-HARRIS)
STATEMENT OF EARNINGS AND DIVIDENDS, 1947-1960

Year	Cumulative Preferred Shares		Common Shares		Adjusted Net Profit Before Deduction of Preferred Dividends		Adjusted Net Profit After Deduction of Preferred Dividends		Preferred Dividends Paid		Common Dividends Paid	
	No. of Shares Outstanding	Paid up Per Share	No. of Shares Outstanding	Paid up Per Share	Before Taxes	After Taxes	Adjusted Before Taxes	Adjusted After Taxes	Per Share ¹	Return %	Per Share	Return %
1947	257,785 ²	20.00	5,871,610	1.64	8,480,567	4,340,567	8,145,690	4,005,690	1.25	6.3	22	13.6
1948	161,200 ²	20.00	6,690,370	1.77	17,918,862	10,316,045	17,662,451	10,069,634	1.51	6.3	19	10.8
1949 (11 months)	161,200 ²	20.00	6,780,320	1.78	23,642,416	16,642,416	23,440,916	16,440,916	2.42	6.3	43	23.9
1950	—	—	7,695,800	2.01	34,806,972	18,581,972	34,028,901	18,353,501	2.41	6.3	90	45.0
1951	—	—	7,695,800	2.01	34,858,721	18,578,721	34,153,721	18,378,721	2.19	—	73	37.3
1952	—	—	7,695,800	2.01	28,635,658	14,056,658	28,606,658	14,056,658	1.83	—	60	29.9
1953	—	—	8,000,850	2.35	17,926,913	8,876,913	17,926,913	8,876,913	1.94	—	60	29.9
1954	—	—	8,510,155	3.35	15,111,630	9,236,630	17,276,173	8,305,173	—	—	60	24.1
1955	248,170 ³	100.00	9,519,155	3.36	7,733,880	3,237,073	6,893,843	2,917,095	3.74	4.5	60	17.9
1956	245,593 ³	100.00	9,519,155	3.36	10,921,454	5,550,313	9,820,181	4,479,040	4.50	4.5	60	17.9
1957	243,643 ³	100.00	9,519,155	3.36	21,712,151	13,025,132	20,618,057	11,931,088	4.50	4.5	40	11.9
1958	242,570 ³	100.00	9,552,248	3.37	27,164,144	21,018,393	26,072,557	19,926,806	4.26 ⁴	4.26	40	11.8
1959	250,860 ⁵	100.00	12,075,911	3.69	21,141,902	13,183,944	19,722,916	11,734,958	5.46 ⁷	5.57	40	8.5
1960	259,665 ⁵	100.00	12,098,471	4.70	21,141,902	13,183,944	19,722,916	11,734,958	5.46 ⁷	5.57	40	8.5
Annual Averages												
1947-53 ⁶	—	—	7,418,679	1.96	23,891,001	12,820,313	23,752,249	12,681,561	1.71	—	53	26.9
1954-60 ⁶	—	—	10,254,993	3.74	17,283,056	10,601,108	16,341,992	9,650,044	1.94	—	47	12.6
1947-60 ⁶	—	—	8,836,836	2.85	20,592,028	11,710,714	20,047,121	11,163,803	1.26	—	50	17.5

NOTES:

¹ Prior to 1952 number of shares has been multiplied by 5 to compensate for 5-for-1 stock split which occurred in 1951.

² 6½ per cent \$20 par value.

³ 4½ per cent convertible \$100 par value.

⁴ For part of year.

⁵ Includes 250,000 shares 5½ per cent convertible \$100 par value; remainder 4½ per cent convertible \$100 par value.

⁶ Averaging 9,860 of the 4½ per cent preferred shares and 250,000 of the 5½ per cent preferred shares issued 1959, and calculating return per cent on the basis of dividends actually paid for the whole year.

⁷ Averaging 9,665 of the 4½ per cent and 250,000 of the 5½ per cent.

⁸ Average for preferred shares is average for years in which they were outstanding.

TABLE F-5
COCKSHUTT FARM EQUIPMENT LIMITED—STATEMENT OF RETURN ON INVESTED CAPITAL AND STOCKHOLDERS' INVESTMENT

Year	Invested Capital				Stockholders' Investment					
	Invested Capital (\$000)	Profits (\$000)		Return %		Profits (\$000)		Return %		Stockholders' Investment (\$000)
		Before Taxes	After Taxes	Before Taxes	After Taxes	Before Taxes	After Taxes	Before Taxes	After Taxes	
1947.....	10,911	1,304	794	11.9	7.3	1,241	731	13.2	7.8	9,411
1948.....	16,039	5,060	3,035	31.5	18.9	4,986	2,962	41.2	24.5	12,108
1949.....	20,627	7,122	3,272	34.5	15.9	6,920	3,070	43.8	19.4	15,814
1950.....	22,455	4,958	2,231	22.1	9.9	4,760	2,033	26.8	11.9	17,768
1951.....	23,987	5,287	2,837	22.0	11.8	5,097	2,647	26.2	13.6	19,424
1952.....	27,259	6,911	3,074	25.4	11.3	6,721	2,884	29.5	12.6	22,821
1953.....	32,806	3,137	1,512	9.6	4.6	2,951	1,326	11.7	5.3	25,144
1954.....	34,177	2,679 ¹	1,497 ²	7.8 ¹	4.4 ²	3,102 ¹	1,920 ²	13.2 ¹	8.2 ²	23,483
1955.....	31,991	282 ¹	561 ²	0.9 ¹	1.8 ²	689 ¹	1,009 ²	3.2 ¹	4.6 ²	21,834
1956.....	31,510	1,368	1,025	4.3	3.3	973	630	4.4	2.9	22,033
1957.....	31,170	960	670	3.1	2.1	584	294	2.6	1.3	22,461
1958.....	30,072	696	516	2.3	1.7	317	137	1.5	0.6	21,566
1959.....	29,761	2,505	2,215	8.4	7.4	2,103	1,813	9.8	8.4	21,468
1960.....	30,629	1,702	1,666	5.6	5.4	1,336	1,300	5.8	5.6	23,118
Annual Averages										
1947-53....	22,012	4,826	2,394	21.9	10.9	4,668	2,236	26.7	12.8	17,499
1954-60....	31,330	610	576	1.9	1.8	222	178	1.0	0.8	22,280
1947-60....	26,671	2,718	1,485	10.2	5.6	2,443	1,207	12.3	6.1	19,589

¹ Loss before taxes recoverable.² Loss after taxes recoverable.

TABLE F-6
COCKSHUTT FARM EQUIPMENT LIMITED—STATEMENT OF EARNINGS AND DIVIDENDS, 1947-1960

Year	Shares Outstanding	Capital Stock Paid Up Per Share	Adjusted Net Profits		Earnings/Share		Dividends Paid Per Share	Return % on Dividend Paid
			Before Taxes	After Taxes	Before Taxes	After Taxes		
1947	636,680	10.28	1,241,476	731,439	1.95	1.15	0.25	2.43
1948 (11 mos.)	854,480	9.06	4,986,457	2,962,002	5.84	3.74	0.43	4.69
1949	854,480	9.06	6,920,013	3,070,013	8.10	3.60	0.62	6.90
1950	854,480	9.06	4,759,786	2,032,786	5.57	2.38	0.78	8.56
1951	854,480	9.06	5,097,175	2,647,175	5.97	3.10	0.77	8.56
1952	1,068,100	8.49	6,720,769	2,883,769	6.29	2.70	0.50	8.56
1953	1,068,460	9.74	2,951,213	1,326,213	2.76	1.24	1.00	10.27
1954	1,068,460	9.74	3,102,407 ¹	1,919,765 ²	2.90 ¹	1.80 ²	0.30	3.08
1955	1,068,460	9.74	688,581 ¹	1,008,808 ²	0.64 ¹	0.94 ²	—	—
1956	1,068,460	9.74	972,930	629,930	0.91	0.59	—	—
1957	1,071,310	9.73	584,417	294,417	0.55	0.27	—	—
1958	1,078,010	9.70	317,450	137,450	0.29	0.13	—	—
1959	1,086,085	9.67	2,103,204	1,813,164	1.94	1.67	—	—
1960	1,098,095	9.65	1,335,942	1,299,646	1.22	1.18	—	—
Annual Averages								
1947-53	884,451	9.20	4,668,127	2,236,200	5.28	2.53	0.62	6.72
1954-60	1,076,983	9.71	217,565	178,005	0.20	0.17	0.04	0.44
1947-60	980,717	9.48	2,442,846	1,207,102	2.49	1.23	0.33	3.50

¹ Loss before taxes recoverable.

² Loss after taxes recoverable.

TABLE F-7
GROSS OPERATING PROFIT IN THE AGRICULTURE IMPLEMENTS INDUSTRY, CANADA, 1945-1958
(\$'000)

	1945	1946	1947	1948	1949	1950	1951	1952
Gross Selling Value of Products.....	57,621	63,239	89,423	146,956	176,970	149,500	171,172	205,775 ¹
Less: Salaries and Wages.....	24,410	25,475	31,244	45,271	44,220	43,285	52,217	62,424
Cost of Fuel and Electricity at Plant.....	1,079	1,162	1,462	1,997	2,093	2,020	1,984	2,170
Cost of Material at Plant.....	26,415	32,852	49,799	81,591	95,685	79,124	96,469	109,828
Gross Operating Profits.....	5,718	3,749	6,918	18,098	34,973	25,071	20,502	31,354
Gross Operating Profits as Percentage of Gross Selling Value.....	9.9	5.9	7.7	12.3	19.8	16.8	12.0	15.2
Gross Selling Value of Products.....			171,270 ¹	119,006	113,923	122,681	122,529	133,145
Less: Salaries and Wages.....			50,302	40,225	41,929	36,704	39,278	47,344
Cost of Fuel and Electricity at Plant.....			1,825	1,742	1,749	1,872	1,813	1,959
Cost of Material at Plant.....			90,345	66,712	59,283	64,786	59,856	77,274
Gross Operating Profits.....			28,798	10,327	10,962	19,319	21,582	6,567
Gross Operating Profits as Percentage of Gross Selling Value.....			16.8	8.7	9.6	15.7	17.6	4.9

SOURCE: D.B.S. The Agriculture Implements Industry.

NOTE: The D.B.S. study from which the above data is taken states that profits cannot be calculated since data are not available for general expense items such as interest, rent, depreciation, taxes, insurance, advertising, etc. Nevertheless, "gross operating profits" have been calculated since no other general indicator is available and the direction and magnitude of changes are considered significant.

¹ Value of Factory Shipments for this year.

APPENDIX G

LIST OF ESTABLISHED FARM MACHINERY TESTING ORGANIZATIONS
BY COUNTRY

<i>Name of Country</i>	<i>Testing Organization</i>
Australia	University of Melbourne, Tractor Testing, Victoria, Melbourne, Australia.
Austria	Bundesversuchs und Prüfungsanstalt für Landwirtschaft, Machinene and Geräte, Wieselburg Eriauf, Niederösterreich.
Belgium	Station de Genie Rural de L'Etat, Gembloux.
Canada	Agricultural Machinery Administration, 7th and Hamilton Street, Regina, Saskatchewan, Canada.
Finland	Valtion Mastalouskoneiden Tutkimuslaitos, Rukkila, Helsinki.
Denmark	Statens Redskabsprover, Bygholm, Horsens.
France	Centre National d'Etudes et d'Experimentation de Machinisme Agricole, Parc de Tourvoie, Antony/Seine.
Germany	Schlepperpruffeld (K.T.), Jagertorstrasse 181, Darmstadt-Kranichstein (Tractor testing only) Deutsche Landwirtschaft-Gesellschaft, Frankfurt a. Main, Zimmerweg 16. (farm machinery only)
Greece	Station d'Essai de Machines Agricoles, 127, avenue Kifissias, Athenes.
Iceland	Bunadarfelag Islands, Reykjavik.
Ireland	Agricultural Institute, 33 Merrion Road, Dublin.
Italy	Centro Nazionale di Meccanica Agraria, Universita di Portici, Napoli.
Luxembourg	Ministere de l'Agriculture, 3, rue de la Congregation, Luxembourg.
Netherlands	Stichting Centrale Werkplaats, S.L. Mansholtlaan, 12, Wageningen.
Norway	Landbruksteknisk Institut, Vollebekk.
Portugal	Station d'Essais de Machines, Tapada da Ajuda, Lisboa.
Spain	Estacion de Mecanica Agricola, Instituto Nacional de Investigaciones Agronomicas "La Moncloa", Avenida de la Puerta de Hierro, Madrid.

<i>Name of Country</i>	<i>Testing Organization</i>
Sweden	Statens Maskinprovningar, Ultuna, Uppsala.
Switzerland	Institut suisse pour le Machinisme et la Rationalisation de Travail dans l'Agriculture (IMA) Brugg (Argovie).
Turkey	Ziraat Vikaleti, Ziraat Isleri Umum Mudurlugu Makina Subesi Mudurlugu, Ankara.
United Kingdom	National Institute of Agricultural Engineering, Wrest Park, Silsoe, Bedfordshire.
United States	Nebraska Tractor Testing Station, University of Nebraska, Lincoln, Nebraska, U.S.A. (Tractors only and excluding field testing)
Yugoslavia	Institute for Agricultural Mechanization, Prilaz J.N.A. 83, Nagreb.

Mr. I. C. NOLLET (*Minister of Agriculture, Province of Saskatchewan*): Mr. Chairman and members of the committee, there is one thing that we have in common and that is getting our committees together on time. I noticed your committee is doing quite well and that there is a good representation here.

I want to say first of all that we are very pleased to be here, and to give you information that should be of help to the committee in examining this very important field. In order to expedite matters—I know what your time is like—I have this brief opening statement, or covering statement. Then I thought we might go through the main brief section by section, and any member who wishes to ask any questions with reference to a particular section could ask those questions. In that manner we might be able to cover the main body of the brief more quickly and more comprehensively.

I have with me Mr. Kyle, director of the agricultural machinery administration. This is an agency that was set up as a result of our own inquiry and subsequent recommendation. This is also the agency which carries on the testing of farm machinery, so if any of you have any questions to ask with reference to our legislation and the testing of machinery, Mr. Kyle would be very pleased to answer.

Mr. PASCOE: Is this opening statement one which covers the whole brief?

Mr. NOLLET: The opening statement is a condensation of the main brief. With reference to anything contained in the brief, Mr. Wenaas, the economist with the economic advisory and planning board would be prepared to be of help to you, and answer any questions in connection with the brief and the statistical material contained therein. I shall read now this covering statement.

I very much appreciate the opportunity to make this submission regarding farm machinery prices on behalf of the Government of Saskatchewan to this Committee.

In our view, the question of farm machinery prices cannot be separated from the basic problem of the farm cost-price squeeze and thus in the present economic circumstances the price of farm machinery has become a matter of urgent concern not only to agriculture but to the Canadian economy as a whole.

As we have indicated in Section I of our brief, there has been since 1948 a growing disparity between farm product prices and farm costs generally. The index of farm prices of agricultural products in Saskatchewan has dropped 14 per cent since 1948 (on basis of estimated final grain prices for 1960) while the composite index of farm costs for Western Canada (exclusive of living component) has climbed by 43 per cent. It is true that farm prices generally rose from 1948 to 1951 (with the most important exception being wheat) but

even during that period farm costs rose faster. After a period of slight declines in farm costs from 1952 to 1955 when farm prices were dropping most steeply, farm costs have continued to rise and are now considerably above the 1951 levels while farm prices are lower than in 1951. Steadily and inexorably this price-cost vise has been tightening.

For Saskatchewan agriculture the problem assumes more critical proportions since the price of wheat, the most important single commodity in the provincial agricultural economy, did not rise even in the 1946-51 period when most other farm products did show price increases. Farm machinery prices have increased more rapidly than other farm costs so that the relationship between wheat prices and farm machinery prices has registered a truly phenomenal change.

Thus, while the general indices of farm prices and farm costs in Saskatchewan indicate that a unit of farm production was worth, in terms of general farm costs, only 60 per cent in 1960 of what it was in 1945, a bushel of wheat in 1960 (assuming interim and final payment of 22 cents per bushel for the 1960-61 crop year) will buy only 38 per cent of what it would buy in 1945 in terms of farm machinery. In other words, if it took 1,000 bushels of wheat in 1945 to buy a unit of farm machinery it would on this basis require 2,600 bushels of wheat to buy the equivalent unit in 1960. This represents only the average situation according to the D.B.S. indices. For particular farm implements the situation is considerably worse.

Of course, had the prices of farm products advanced in common with other prices in the Canadian economy, increases in farm costs and more specifically in farm machinery prices would not be such a heavy burden. But despite the fact that agriculture has shown the most rapid increase in productivity of any sector of the Canadian economy in the post-war period, income going to agriculture has lagged behind that of the rest of the nation. The reason for this is that farmers have very little control over the selling prices of their products in contrast to many other industries which are dominated by a few firms and able to maintain prices at a high level. Thus, although any reductions in farm machinery prices would have important benefits, the full benefits would not be realized unless fundamental changes in marketing and pricing policies are adopted by the Federal Government to enable agriculture to obtain a fair share of the national income.

We have noted the very considerable increase in the share of farm cash income required to meet the farm machinery bill (machinery operating costs and depreciation charges). In Saskatchewan this has climbed from under 20 per cent in the immediate post-war period to an average of 32 per cent in the period 1955-1959. We would also note that although in Saskatchewan in 1959, one-fifth of farm cash income available after the deduction of farm costs and operating expenses went for farm machinery purchases (the second highest proportion of any year in the post-war period) this was not sufficient to maintain the stock of farm implements.

This effect of sharply reduced farm income and rising farm machinery prices is of special concern since no industry today can long continue to produce efficiently if its capital equipment is wearing out and is not being replaced at sufficient speed.

It is quite clear that since 1954 there has been a very marked deterioration in the condition of farm implements and equipment in western Canada. The estimated value of the stock of farm implements has fallen in just five years (1954-1959) by \$166 million for the prairie provinces and \$93 million for Saskatchewan alone. Also the estimated average age of tractors in Saskatchewan has risen from 7.5 years in 1956 to 9.5 years in 1960. The estimated average age of combines in the province has increased from 7.9 years to 9.7 years in the same period. Similar trends are shown for the prairie provinces.

Obviously sales of farm machinery have been very much below replacement levels. This is also indicated by the fact that at the present average annual rate of sales since 1956 it would take 27 years to replace the present stock of tractors in Saskatchewan and 30 years to replace the combines.

One of the most startling facts is that at June 1 of last year 34 per cent of the tractors in the prairie provinces and about 45 per cent of the tractors in Saskatchewan were eleven or more years old. At the same time, it is estimated that about 36 per cent of the combines in the prairie provinces and 39 per cent of the combines in Saskatchewan were over ten years old.

Thus, the problem of farm machinery prices is particularly important at the present time since it is necessary not only to fill the ordinary annual requirements for machinery replacement but there is a heavy backlog of demand to catch up on.

We believe that there are five principal areas in which reductions in farm machinery costs might take place, (1) at the manufacturing level, (2) in transportation, (3) in distribution, in the realm of credit costs and then once in the farmers' hands in the degree of efficiency with which the machine is employed and its suitability and durability.

First of all, we maintain that federal measures to assure the maintenance of a stable and high level of farm income would contribute as much as any other factor to the most economic production of farm machinery. Farm machinery manufacturing and distribution facilities are set up to handle peak demand. When there is a sharp drop in sales, overhead costs continue at much the same level and result in a considerable increase in the per unit manufacturing and distributions costs. In our opinion, it is essential that major fluctuations in farm income be eliminated as much as possible through establishment of an expanded program of orderly marketing, a pricing program for farm products relating prices to costs of production and assuring agriculture of a fair share of national income, an adequate federal crop insurance program to eliminate the effect of weather on farm income as much as possible, and other related costs.

Factory Prices of Farm Machinery

It is also imperative to determine the actual factory cost of farm implements in the post-war period. A special select committee of the Saskatchewan legislature was unable to do this in 1952 because of the refusal of the privately-owned farm machinery companies to supply necessary information. Therefore, we urge the House of Commons committee to conduct a thorough analysis of the accounts of the farm machinery companies to determine to what extent farm machinery prices have been justified by manufacturing costs and to determine the profit levels of the industry. We have submitted evidence concerning two of the farm machinery companies indicating that over the whole of the post-war period these companies have realized a rate of return that has been more than adequate.

In our view, a most important area for reduction in farm machinery costs lies in rationalization of farm machinery production and distribution. In Saskatchewan today there are nine major manufacturers of farm machinery offering complete lines of equipment. The cost of maintaining nine headquarters staff, nine research organizations, nine assembly lines turning out nine sets of machines designed to do the same thing, nine advertising and promotional campaigns and nine systems of dealerships, is surely too much for an agricultural economy caught in the vise of a cost-price squeeze to bear.

At the same time, even within individual firms the multiplicity of models and increased model changes would appear to have raised manufacturing as well as distribution costs. Industry policies of "planned obsolescence" are also raising costs.

Rationalization of the industry would result in savings through the standardization of farm machinery and parts, savings through the reduction in the total number of farm machinery models, savings through the elimination of unnecessary model changes and savings in distribution. The first of these was recommended by a House of Commons committee almost a quarter-century ago but we have seen only a few signs of this being achieved by the industry. Indeed we would suggest that the individual farm machinery companies have a vested interest in discouraging such a program and therefore it seems unlikely that any very substantial standardization of farm machines and parts could be realized without direct government controls of some kind. We would also note that the problems of multiplicity of models and overly frequent model changes are a product of recent trends in company merchandising policy.

It is obvious that these savings, which should result in lower prices, cannot be realized without thorough reorganization of the industry. In the light of the inability or unwillingness of the industry itself to accomplish this, public intervention and regulation is essential.

Recommendations

Therefore, we would urge the Committee to consider a three-fold program under which public, private and co-operative ownership of farm machinery production and distribution facilities could be used to serve Canadian agriculture. This would involve the nationalization of the Canadian privately-owned farm machinery industry. An alternative would be loans to enable a enlarged co-operative farm machinery industry to be established.

Any national agency set up to manufacture and distribute farm machinery in Canada would of necessity have to be the sole importing agency of farm machinery also. Such an agency could either establish its own system of distribution or provide for the development and expansion of farmer-owned co-operatives and perhaps also employ in some instances the private distribution agencies.

These recommendations may appear to be drastic but it is sadly evident that the present system of farm machinery manufacture and distribution has failed to provide Canadian farmers with machinery at reasonable prices. Therefore we consider that such action has the best chance of completely rationalizing the industry. With reference to the third alternative, if this program of public or co-operative ownership of the Canadian farm machinery industry is not proceeded with, it will be necessary to consider the third alternative which can be made regarding the private manufacturing sector of the industry.

We would make at least two recommendations in this connection. First, we recommend the establishment of a federal farm machinery prices tribunal with authority, either on its own initiative or at the request of any farm organization or other group, to investigate the price of any farm implement, to determine whether this price is justified by cost of manufacture and if necessary, to rule that the price must be reduced.

Secondly, we recommend the establishment of an advisory technical body possibly attached to the proposed federal farm machinery prices tribunal to maintain a continuous review of the effect of model changes and multiplicity of models on manufacturing costs and also to recommend and establish specific measures of standardization of farm machinery and parts.

Transport Costs

We have reason to believe that not only have the post-war horizontal freight rate increases imposed an unfair burden on regions like western Canada but even within the region have imposed an unfair burden on farm implements. Therefore, we urge that the board of transport commissioners make a special

investigation of railway freight rates on farm machinery to determine whether post-war freight rate increases have discriminated unfairly against movements of farm machinery. If discrimination is found to exist, the board should order the reduction of such rates to more appropriate levels.

Distribution Costs

We believe that a thorough review of farm machinery distribution facilities should be made. In our opinion, a considerable element of duplication of facilities has added to distribution costs and while much of this could only be eliminated by the effective rationalization of farm machinery production, much could be done by the companies themselves on the regional level. To this end we urge the calling of western Canada and eastern Canada regional conferences representative of the federal government, the provincial governments concerned, the farm machinery companies, farm organizations and representatives of farm implement dealers to work out methods by which costs of distribution could be reduced. We recommend that one of the matters that should be studied is the present dealer appointment policy.

The irksome problem of repair parts supply should be eased by greater standardization of parts, less frequent model changes and other measures we have already suggested.

We believe this House of Commons committee should examine and report on present discounts on machines and repair parts by various types of machines.

Public Testing Services for Farm Machinery

Saskatchewan's experience with a farm machinery testing program has indicated that very few new models of farm machines come on the market free from mechanical defects, a problem now being aggravated by the increasing number of models. In addition, it is clear that many farm machines are not designed primarily for Saskatchewan or western Canadian use. Also, the performance of farm machines under specialized conditions that may prevail here is often not indicated by company literature. Therefore, we believe that the Saskatchewan program is of substantial assistance to Saskatchewan agriculture and could be usefully extended to other areas.

We urge the establishment of a western Canadian and also an eastern Canadian regional public farm machinery testing agency jointly financed by the federal government and provincial governments concerned. We believe that Saskatchewan's farm machinery testing agency could provide a useful basis for such a western Canadian agency.

I want to make it clear that we are not blowing our horns about this testing agency at all. We point out that it has certainly justified itself. It has been eminently successful and very well received by the farm population. The test reports are in great demand and have proven to be very beneficial.

Credit Costs

We urge the retention of the Farm Improvement Loans Act on a permanent basis, together with some improvements that will increase the beneficial effect of the operation of this act. We would particularly urge the elimination of the present discrimination against co-operative farms, and groups of farmers who co-operate in the matter of machinery.

Tariffs

We urge that the policy of tariff-free entry of farm machinery be continued. We believe that the abolition of tariffs on farm implements has been abundantly justified not only in terms of savings to agriculture but in terms of an economic interchange of production particularly between the United States and Canada.

This, gentlemen, concludes the brief. Thank you very much for your kind attention.

The VICE-CHAIRMAN: Gentlemen, you have heard the summary, which has been presented by Mr. Nollet.

We will now accept questions on section 1 of the main brief, the nature of the problem, patterns of farm mechanization, impact of farm machinery prices on farm costs, the state of capital investment in farm implements, and possible reduction in farm machinery costs; or you may ask any general questions regarding this brief.

Mr. MUIR (*Lisgar*): In your brief, Mr. Nollet, you indicate you would like to see the nationalization of this industry. Would you say this, after the experience your government has had in government-owned utilities and industries, such as your plants which have had to close down?

Mr. NOLLET: The arguments in respect of nationalization here probably would be much different than they are in terms of other publicly owned utilities. With reference to power, the experience has been very good.

Mr. MUIR (*Lisgar*): I am speaking about factories.

Mr. NOLLET: The sodium sulphate has been successful. The only reason it became a public enterprise was because no one else was particularly interested in the development. It has done very well.

This is a very drastic recommendation in terms of the general concepts of people. My argument would be that there are two things wrong the first of which is that machinery prices are too high, regardless of the number of inquiries which have been made from 1936 and 1937 right up to the present. Nothing has been achieved in the field of bringing down the price of farm machinery, or in the alternative bringing up the price the farmer receives for his commodities.

In order to try to help the farmers in their unfavourable economic relationship the government has provided many services in research, experimental farms, and so on to improve the farmer's income. We have spent a lot of money. Where we should assume some responsibility is in protecting the farmer in the cost of the machines or bring his prices up. I know this is a drastic step, but with several machine companies competing with each other it is very difficult for them to rationalize. Some other agency must assist in this rationalizing, either by getting in the field itself, either government or co-operative, or a regulatory body that will provide the necessary rationalization. If Massey-Ferguson, for instance, went out on its own and tried to do something it would still have to face its competitors. In reference to distribution, whatever is done there should be done across the board.

The VICE-CHAIRMAN: Would you get back to the question which was asked?

Mr. MUIR (*Lisgar*): I imagine there will be other questions on this, and I would like to carry on with my thought on this particular point of nationalization. One of the machine companies that gave evidence before the committee said that only twelve per cent of its production was sold in Canada. On top of that we also had evidence that eighty-five per cent of the machinery that is sold in Western Canada is made in other countries. I would like you to give me the benefit of your experience, if you are going to nationalize an industry which is going to be in competition with machinery coming in, which is eighty-five per cent of the machinery sold in western Canada.

Mr. NOLLET: If we can achieve anything by nationalization in terms of reducing prices, then I would think that the machines which come in from the outside would have to meet that competition and would have to be reduced in price. As you know, the machine companies have been meeting that competition when selling machines abroad.

Mr. MUIR (*Lisgar*): What makes you think that nationalization will reduce the price so that they have to meet the competition. They may be able to undersell you.

Mr. NOLLET: By manufacturing machines on the basis of utility and not changing models so frequently. In this field I think we might be able to make substantial sales.

Mr. MUIR (*Lisgar*): Do you not think that by barring any changes in models you are going to slow down the proper mechanization of the agriculture industry? A lot of these model changes are demanded by farmers themselves who want to be able to farm at less cost. A lot of these changes bring this in. If you are going to cut down on model changes you are simply going to keep the thing static.

Mr. NOLLET: I am thinking of model changes in terms of unnecessary changes which really do not make the machine more useful or do a more efficient job. I would think that any manufacturer, particularly a publicly-owned one, would want to design a machine for the purpose intended and do nothing that would in any way discourage design of machinery which would do a more adequate job for a specific purpose.

Mr. KORCHINSKI: Could you list any of these unnecessary changes of which you speak?

Mr. NOLLET: Changes in cowling and changes in the design of an engine which has no relationship to its efficiency and output of horsepower, and so on.

Mr. KORCHINSKI: Could you be a little more specific?

Mr. NOLLET: Changes in the general design of the cowling and general appearance and the tendency to put out a machine that is more attractive and will sell better, much in the same manner as designs are changed in automobiles; also the changes in engines which have no relation to the output of efficiency of horsepower. These are things which I do not think are vital. Nothing ever should be done that would in any manner discourage any inventive genius, or changes in design that are necessary in order for a machine to do a more economic job, which is its intended purpose.

Mr. MUIR (*Lisgar*): Up to the present Mr. Nollet has not answered one question I asked; that is, why does he think that nationalization of industry will reduce the price of farm machinery.

Mr. NOLLET: For the reasons I mentioned. I think we can get more rationalization in both the manufacture and distribution, particularly if the distribution was done through a co-operative organization. That has been demonstrated in our province by C.C.I.L. They have reduced costs greatly. I think we can save money in this manner.

Mr. MUIR (*Lisgar*): I think it has been the experience of government that every time they get into a business the operation of the business costs more.

Mr. NOLLET: The only answer I can give you is we have the evidence that farm machinery prices zoom skyward and we think they are too high. Maybe aside entirely from the relationship of farm prices they are still too high, but when taken in conjunction with farm prices they are extremely high. We have given you an alternative proposal. It is within the competence of this committee to determine whether you think nationalization will save money. If you think it will not, and if it can be done in another way, we are quite agreeable, just so that it is done.

Mr. HORNER (*Acadia*): I understood we were to proceed with section I. Nationalization is a very important subject, and I do not want to say that it

is not, but it does not come under section I, to my knowledge. I think we should proceed along much more orderly lines and deal with the sections as they turn up.

The VICE-CHAIRMAN: That is not a point of order, as I said we were going to section I. If anyone has a question on the whole brief, I will take that. Mr. Muir brought up the point of nationalization. When that is settled, we will go to section I.

Mr. KORCHINSKI: Is it agreed that we continue on this line of questioning?

The VICE-CHAIRMAN: Yes, on nationalization, and then on section I.

Mr. KORCHINSKI: On page 5 of the brief it says there are nine major manufacturers of farm machinery offering complete lines of equipment, with the cost of maintaining nine headquarters staff, nine research organizations, nine assembly lines turning out nine sets of machines designed to do the same thing, nine advertising and promotional campaigns and nine systems of dealerships.

The converse of that is that if you had only one machinery company advertising or selling machinery, you would then suggest that it would bring the price down. Is that what you are suggesting?

Mr. NOLLET: Not necessarily one manufacturing agency, but we are saying that we think there is unnecessary duplication, and that every one of these companies has a dealer established and varying company-dealer contract relationships, and if at least an agent could handle several lines of machinery—

Mr. KORCHINSKI: How many are you going to allow?

Mr. NOLLET: As many as he wants to handle.

Mr. KORCHINSKI: You have nine here.

Mr. NOLLET: We have nine companies. As you go through many towns in Saskatchewan you find nine dealers establishments, each handling a separate line. It is a restriction imposed upon most of the dealers. The market simply is not there. He cannot provide the service or the stock of repair parts necessary.

We think you might give some study to the possibility of an agency handling several lines of machinery in a particular area. We might also set up regional repair depots.

Mr. KORCHINSKI: When I go to buy a machine I go from one dealer to the next one, and I buy the machine that the dealer suggests to me is going to be the lowest price for myself. If I have nine dealers, that will bring the price down from one dealer to the next one; but if there is only one dealer, I have to go to that one and pay whatever price he asks.

Some Hon. MEMBERS: Hear, hear.

Mr. NOLLET: This works in the other direction, also. You go to a small dealer who is in competition with a big dealer and the big dealer can give you a much better deal on trade-ins and a much better deal generally. The little dealer tries to compete with him, and in doing so he loses all of his commission, but the fact of the matter is that no matter where you make the deal the percentage allowance for your dealer still remains the same. It is the dealer who is taking the rap, and no one else. He gives up his commission when he gives you a good deal as against someone else. This is the problem. Then he is left in an embarrassing financial position. He cannot provide the kind of service necessary to the operation of that machinery.

Mr. KORCHINSKI: If you have a monopoly under a nationalization program such as you suggest, the dealer remaining in there cannot make a decision

and he is impersonal. I know a whole lot of dealers and they will give me a good deal. A man will sacrifice another \$25 to give me a deal because he personally feels that I am an asset to that community; but if you nationalize it this person does not care who I am.

Mr. NOLLET: There is no suggestion in my mind regarding the nationalization of distribution. That is not necessary. We are thinking in terms of manufacture.

Mr. HORNER (*Acadia*): You said nationalization of everything, in the brief.

Mr. NOLLET: The cooperative distribution is an alternative.

Mr. KORCHINSKI: An alternative? In other words, all that you want is cooperative distribution? That is all? One company to handle everything?

Mr. NOLLET: We have given three alternatives—public manufacture, distribution cooperatively, and—

Mr. HORNER (*Acadia*): On a point of order. On page 6 of this covering statement, you state:

Any national agency set up to manufacture and distribute farm machinery in Canada would of necessity have to be the sole importing agency of farm machinery also.

You state there "any national agency set up to manufacture and distribute". Now you state that the distribution can be by cooperation. I am pointing out that is quite clear that your recommendation says "manufacture and distribute".

Mr. NOLLET: Then it says this:

Such an agency could either establish its own system of distribution or provide for the development and expansion of farmer-owned cooperatives and perhaps also employ in some instances the private distribution agencies.

I personally could not see any logic in the manufacturer getting into the distribution field, whether a private manufacturer or a government manufacturer, no more than at the present time. I think co-operative distribution would fit the bill very adequately.

Mr. SLOGAN: Do you not think that before we start nationalization in other industries, perhaps the agricultural industry had better set its own house in order. For instance, in an area of my province, an independent study showed that the land could support only one-fifth the number of the farmers farming on that land. Do you not think that before we start imposing restrictions on other industries, industry might turn around and say to us: "Why do you not get rid of the other 80 per cent of the farmers, to make these farm units economic?" And supposing they do, would you be in favour of that?

Mr. NOLLET: I just have one reply to make to your question. You are suggesting that the submarginal farmer is the big problem, the man living on poor land. This is not so. The fundamental problem facing the farmers faces the farmers on the good land, the cost price squeeze. This is it. It is not those farmers who live on the submarginal land. I suggest to you that you could improve the lot of all of them and provide a good normal living for some of the people on submarginal units by increasing his prices.

Mr. SLOGAN: Are you suggesting that the fellow on the small uneconomic unit is utilizing his machinery to full efficiency and capacity?

The VICE-CHAIRMAN: Order. Mr. Rapp has a supplementary question.

Mr. RAPP: I am very interested in the point about the co-operative farm machinery industry. To a certain extent we have this established already. Would your suggestion be to have it established on a national scale? Would

that be interfering with some provincial jurisdiction or provincial rights? Would you elaborate on that point? I am sure farmers are interested in this co-operative farm machinery because they have quite a large amount of members in the C.C.I.L. I would like if you could give a direction along these lines of your thinking, as to have to implement this farm co-operative machinery industry on a national scale.

Mr. NOLLET: There is a recommendation made here that certainly this has real merit and that a very good answer can be obtained in terms of nationalization in both the manufacture and distribution of farm machinery, if it could be done on a co-op basis. I think we have recommended that the committee consider recommending to the government that we make financial assistance available to the co-operators to expand the existing services to a national basis. There is no reason why it could not be done, and very substantial savings made. One of the good things about it is that any savings made are widely distributed. If this is done, I cannot see any justification for nationalization—if this were accepted.

Mr. RAPP: Would it interfere with provincial rights?

Mr. NOLLET: No.

Mr. RAPP: Or jurisdiction?

Mr. NOLLET: No.

Mr. COOPER: We have a co-op dealer in Saskatchewan that handles a Cockshutt combine. You cannot buy the Cockshutt combine any less from them than you can from your dealer, and you do not get the service on that Cockshutt combine that you do if you buy direct. You get a slip of paper from the co-op giving you so many more shares in the co-op, but you have to do your own servicing.

Mr. NOLLET: I would not say that. The co-op are trying to set up an inexpensive and rational system of distribution of farm machinery, and servicing it. They are working in the direction of regional repair depots, but they do not have enough volume of business to make this eminently successful. I think they are on the right track. As you know, at one time years ago when C.C.I.L. first organized in the depression, Cockshutt offered to sell out to them. Their big mistake was that they did not buy Cockshutt out at that time. Now Cockshutt is in competition with them and they are in competition with Cockshutt and that makes a pretty undesirable situation.

Mr. FORBES: How would you proceed under a system of free enterprise to give one company a monopoly on the manufacture and distribution of farm machinery?

Mr. NOLLET: I do not think you would want to do so. I think that if we proceed on the present basis of private manufacturing with the major companies and then some smaller ones, and if you would give consideration to setting up a type of tribunal, a continuing administrative organization that would analyse manufacturing costs and costs of distribution, constantly keeping these under observation, we could then have some uniform agreement on such points. One of these points is that there are too many model changes and useless duplications. We could get them together and provide for interchangeability of some of the fast moving parts. I think much could be achieved in this way. With our present set up, we could have an over-all government agency to give uniform direction to this. Take for example the milk control boards in the various provinces. These have worked very effectively and they can work effectively without putting any restrictions or restraints on business enterprise, other than to make it more rational and to reduce costs, both at the manufacturing and the distribution levels. I think it can be done.

This is the alternative proposal that we make. I am having due regard to everyone's economic philosophies. We know there are questions here of philosophies and politics and everything else. For this reason we give you the choice, but whatever is done we would like to see this objective accomplished with farm machinery, so that it would be brought down to the lowest possible price, and that it be good machinery and manufactured for the purpose intended.

In this connection, you could set up a farm machinery testing organization. That would have a salutary effect on this tendency towards duplication, with model changes and a multiplicity of repair parts, and so on. I think we could get some uniformity.

The VICE-CHAIRMAN: I think we have covered this enough now.

Mr. DANFORTH: Can we proceed with the general statement?

Mr. HORNER (*Jasper-Edson*): On section I, I would like to ask the director of the machinery administration, in regard to page 16, where there is talk about the life of tractors, and so on. Now, one of the farm machinery companies which gave evidence before us claimed that the present tractor they were manufacturing had a longer life and, in fact, was a better tractor in this regard than previous tractors. Does this account for some of the reason why the average age of tractors in the west is getting bigger?

Mr. KYLE: With respect, Mr. Wenaas might reply to that. He did the analysis.

Mr. C. J. WENAAS (*Economist, Economic Advisory and Planning Board*): I recognize that when representatives of Massey-Ferguson appeared before the committee they indicated that the average life of a tractor was somewhat above this. Now, this is based on a study by a federal department of agriculture, done by Mr. M. K. Scott in 1950, a study of about 450 or 500 farmers in Alberta. Now, if there have been any changes since that time, they would not be reflected in the study made by Mr. Scott. However, we felt it was advisable to base our statements about the estimated average life of tractors on a formal study conducted by the federal department of agriculture.

Mr. HORNER (*Jasper-Edson*): What I particularly wanted to know is if your testing program in Saskatchewan has verified the fact that tractors do live a longer life, or do you do such testing?

Mr. WENAAS: The answer to that would be that we do not do tractor testing.

Mr. HORNER (*Jasper-Edson*): From your testing program, have you made any observations or recommendations to the companies with regard to the question of obsolescence, with regard to the question of unnecessary frills, and with regard to the question of standardization? Have you, as a director of the A.M.A. testing program, made any recommendations to the farm machinery companies whose machines you are testing, on these three points?

Mr. KYLE: I think the answer specifically would be no. In the general term—

Mr. HORNER (*Jasper-Edson*): Do you intend to do so in the future?

Mr. KYLE: I think so, but perhaps not exactly in that way. The individual items which come before us for recommendation in the reports might point to that from time to time, but not specifically, if this is what is in your mind.

Mr. HORNER (*Jasper-Edson*): You recommend a national program of testing. Do you feel this might be one area in which a national machinery testing program could undertake the study of these particular problems, as well as the design, usefulness, and so on of machinery? Do you think a national testing program could have some benefit in dealing with these problems, obsolescence, unnecessary frills and standardization?

Mr. KYLE: I think quite effectively, sir.

Mr. HORNER (*Acadia*): This is an old argument with me, but perhaps we can readily do away with it. At the top of page two of the brief you state that farm prices have fallen since 1951. Then, in the middle of the page, you have a table showing an agricultural price index for products in Saskatchewan. In 1951 the index was at a high of 139, and it dropped to a low of 104 in 1957. Then, from that period onwards, there is a reversal to some extent, particularly in the last three years. Do you agree with that?

Mr. WENAAS: Yes. As a matter of fact we do not claim in the brief that farm prices have fallen steadily since 1951. They have fallen since 1951—

Mr. HORNER (*Acadia*): I see.

Mr. WENAAS: —and there has been some minor adjustment upwards since 1955 in one case, and also since 1957 in another.

Mr. HORNER (*Acadia*): If you were drawing a graph the low point would be in 1957?

Mr. WENAAS: Yes. It went up in 1955-56, went down from 1956 to 1957, went up again in 1958-59 and down again slightly in 1960.

Mr. HORNER (*Acadia*): Very slightly. I have another question following on that. At page 16 of the brief you go into the age of tractors, the reduction in their purchase and so on, pointing out quite clearly that Saskatchewan has not repurchased or not replenished its supply of agricultural implements to a certain extent. At the moment I am looking at the Saskatchewan economic review, put out in March 1961, and on page 13 of that review there is a table which shows farm implement sales, for Canada and Saskatchewan, in millions of dollars. Going down over the chart I see that the high years of farm implement purchases—that is, of new implements—in Saskatchewan were 1951, 1952 and 1953. In fact, there were four years in which purchases were fairly high, from \$60 million to \$80 million. Then there was a substantial drop and they remained relatively below \$40 million for the next four or five years but, in 1958, 1959 and 1960 purchases of new machinery went up—in 1959 to \$50 million and in 1960 to \$54 million. Would you agree that in recent years the stock of farm implements in Saskatchewan is starting to be replenished?

Mr. WENAAS: No. These estimates of the value of farm implements and equipment for Saskatchewan and also for the prairie provinces are based on D.B.S. estimates, and these show a constant decline from 1954 to 1959, which is the latest available year for which these estimates have been provided. I would estimate that on the basis of 1960 sales there would be a further decline in the value of farm implements and equipment on the farms, in both Saskatchewan alone and in the prairie provinces together, although the decline will probably not be as great as the average decline from 1954 to 1959.

Mr. HORNER (*Acadia*): I have a few further questions on the same subject. Would it not be true that with the fewer number of farms in Saskatchewan there would be a tendency to have fewer purchases of new equipment?

Mr. NOLLET: I would say not. You have the same amount of land to work. Mr. Horner, I think the important point to remember with regard to farm prices is that while they have made a slight upturn in recent years, they have never got back to where they were.

Mr. HORNER (*Acadia*): I quite realize that.

Mr. NOLLET: The unrelated factor is crop failure. In 1954 rust was prevalent and after that purchases of farm machinery dropped very sharply.

Mr. HORNER (*Acadia*): In other words, you disagree with the assumption I am making that fewer farms means fewer purchases of agricultural machinery, and that farmers tend to make greater utilization of the machinery they have?

Mr. NOLLET: You would think so.

Mr. HORNER (*Acadia*): You would have fewer people purchasing if there were fewer farmers.

Mr. WENAAS: May I add a point in that regard? It is recognized that eventually there will be stabilization of the number of tractors used in Canadian agriculture. Now, in the past few years there has not been any evidence of the number of tractors decreasing. As a matter of fact, from 1951 to 1956 there was quite a sharp increase in the number of tractors used in Canadian agriculture and, as a matter of fact, a sharper increase in province like Ontario and Quebec than in the prairie provinces. The point is that although the number of farms has been reducing, say particularly since 1931, the number of tractors used on farms has been increasing and, in order to maintain the stock of tractors you have to increase the purchases of tractors.

Mr. HORNER (*Acadia*): I agree, but my first question was something to this effect: with the fewer number of farms would there not be a tendency to lower the number of purchases of new tractors? I am not saying that the total number of tractors in Saskatchewan would decrease. I am just saying that a drop in the purchase of tractors would come about slowly. Do you agree with that?

Mr. WENAAS: Yes.

Mr. HORNER (*Acadia*): On page 16 of the brief you make assertions with regard to the age of tractors, and other matters. We have had representatives of farm machine companies before this committee and they have verified what I, as a farmer, would frankly admit, that tractors and machinery generally have been improved to some extent, though perhaps not as much as farmers would like. Now, is there not a tendency to have fewer purchases of machines as the machines are improved in quality and durability? Do you agree with that assumption?

Mr. WENAAS: It seems to me the average power of tractors purchased today is considerably higher than the average horsepower of tractors purchased at the end of the war. This would have the effect of reducing the total number of tractors required.

Mr. HORNER (*Acadia*): I was not thinking particularly of power tractors. I was thinking of sealed bearings and combines. A person who bought a sealed bearing combine in 1954, today has a combine which is still in relatively good shape and which will continue in operation for many years. Then there were other changes like the three point hitch, which Ferguson came out with in the 40's, and these tractors are relatively convenient to use, even today. I know a number of farmers who use them, and I submit that these are factors which would have a tendency to slow down the number of new purchases made by the farmers. Do you agree with that?

Mr. WENAAS: I think this must be a factor somewhere, but it is hard to realize how much of a factor it is.

Mr. HORNER (*Acadia*): There is another factor which has a bearing on new purchases and that is with regard to the farmer's own ability, and the other equipment which he has. A few years ago farmers did not have the know-how or technical knowledge to repair machines and keep them in good shape. In this regard I am thinking particularly of the increase in the number of electric welders and acetylene welders used on farms today. There were very few electric welders used on farms in 1950, and there were hardly any acetylene welders. When machines broke down the farmers had to take them in and get them repaired, and usually the repair bills were costly. But today, with one farmer in three having an electric welder, and some having acetylene welders, and with the number of farmers who are taking courses in Saskat-

chewan schools and in technical schools in Alberta, they know how to repair tractors, they know how to weld and repair the various component parts of combines and disc harrows, and all this would have a tendency to slow up the replacement of the machinery in use. Do you agree with that?

Mr. WENAAS: Over a period of ten or fifteen years that would have some effect, but the alarming part of the situation that we have attempted to point out here is the very drastic increase in the average age of the two implements which we studied in the period since 1956 which, while it might be offset to a small extent by some of these factors to which you have referred, obviously they of themselves would not begin to explain the situation. The situation is basically that since 1954—even though we looked at 1956 because that year provides the last recorded census of trucks and combines—the farmers in Saskatchewan and in the prairie provinces generally have not been buying enough machines to maintain the quality, the stock, the good condition and the workability of the machines.

Mr. HORNER (*Acadia*): In other words, you do not believe those figures published in the economic review that, dollarwise, in 1959 Saskatchewan farmers spent \$50 million, one quarter of the total amount for the whole of Canada, on new implements, and that in 1960 Saskatchewan spent \$54 million, again practically one quarter of all the new implements purchased in Canada? To some extent would this not indicate that as of recent years, and I am talking about 1959 and 1960, they are starting to replace and replenish farm machinery stocks in Saskatchewan?

Mr. WENAAS: I quite accept those figures, but the point is that those purchases, high though they might appear to be, are not sufficiently high to maintain the quality and the stocks of farm implements and equipment.

Mr. HORNER (*Acadia*): I am not saying they are maintaining them. All I am saying is that they are starting to replace machinery in Saskatchewan.

Mr. WENAAS: Yes, they are replacing a part of the equipment that would ordinarily be retired, but it would appear from this study that in the province, and in the prairie provinces generally, there is equipment that should be retired, but it is still being used because of the situation.

Mr. HORNER (*Acadia*): I had almost finished asking questions but your statement that there is equipment which should be retired compels me to continue. I am a farmer. I have some machines which are pretty old, some machines which are pretty new, and some which may be too new. Is it not up to the farmer himself to judge whether a machine should be retired? How could we say by looking at a set of statistics that some of the machinery should be retired? I may tell you that I have a neighbour who has a tractor which is 14 years old, and no one in God's own world could convince him that that tractor should be retired.

Mr. WENAAS: I am just basing that on the depreciation rates applied both by the federal department of agriculture and by D.B.S.

Mr. DANFORTH: Mr. Chairman, my first question is based on the following statement on page 4:

Thus, although any farm machinery price reductions would have important benefits, they would not be fully realized unless fundamental marketing adjustments and pricing policies are adopted by the federal government to enable agriculture to obtain a fair share of the national income.

I am very much impressed with the analysis that the Saskatchewan government has made of this whole farm agricultural problem. I would like to ask three questions based on this as preliminary. Since it was indicated that freight

rates and distribution costs, especially because of Saskatchewan's geographic position, had a great bearing on the price of farm machinery, and since it has been asked that the federal government take some steps, what steps has the Saskatchewan government contemplated in the manner of grants to offset the high cost of freight or grants to farmers to offset the high cost of distribution, or loans to farmers to enable them to take care of the high cost of farm machinery? In other words is the Saskatchewan government, other than through its testing station, doing anything to alleviate the so-called narrowing of the price spread for the farmer?

Mr. NOLLET: The hon. member ought to know that there are jurisdictional responsibilities under our constitution, and therefore limitations. I hope he is not suggesting that the provincial government could correct any defect in the economy which is related to national fiscal policy.

Mr. DANFORTH: May I point out that in Ontario when we have a specific agricultural area which is in trouble the provincial government does take steps to alleviate this trouble. I am asking you whether the Saskatchewan government is doing anything, or are you just asking that the federal government do something. Is the Saskatchewan government taking any action?

Mr. NOLLET: Yes. We have taken a great deal of action to endeavour to improve the farmers' income in terms of productive efficiency. All of the policies within the department of agriculture—the various subsidies that are made to local governments—are all made in recognition of the fact that the farmer is at an economic disadvantage. In so far as machinery is concerned we have set up this testing organization. Within our field we have endeavoured to do what we could.

Mr. DANFORTH: Is there any direct financial aid given to a Saskatchewan farmer by the Saskatchewan government?

Mr. NOLLET: A good deal of financial aid is available for various projects within the department of agriculture itself in the field of production, such as additional community pastures, fodder, and this sort of thing.

Mr. DANFORTH: At the bottom of page 5 I notice that in your calculations since 1921 you include the price of automobiles. Does that carry through in all your figures here?

Mr. WENAAS: Automobiles and motor trucks are included in the equipment required by a farmer and are included under farm implements.

Mr. DANFORTH: The increased cost of automobiles alone would have a bearing on the increased cost as shown in the brief.

Mr. WENAAS: Yes.

Mr. DANFORTH: On the whole farming operation. Do I take it that your net farm income, based on your calculation here, would be the gross income from which would be taken the total farm operating costs and depreciation to get the net farm income.

Mr. WENAAS: Are you referring to table 7?

Mr. DANFORTH: The table on page 11 where you state "farm machinery operating costs and depreciation charges as percentage of farm cash income". Can I assume that in your calculations the net farm income would be the gross income of the farm from which would be subtracted the total farm operating costs, and depreciation, as set out in your table on page 11.

Mr. WENAAS: Yes. I should indicate that the net farm income would not be the same as the net farm income that has been established by the dominion bureau of statistics, because they adjust their net farm income for changes in inventory—for instance, the eggs that a farmer might eat which he raises on the farm.

Mr. DANFORTH: Am I correct in assuming that would give you your net?

Mr. WENAAS: Yes.

Mr. DANFORTH: In total farm income you include five per cent interest on your investment; you include the wages for your farm operator; you include allowances for family labour. All these things are taken as farm operating costs.

Mr. WENAAS: They are not included in this table at the top of page 11. The table at the top of page 11 is based on D.B.S. material. The department of agriculture in Saskatchewan has conducted a study of farm operating costs, and the results of that study are indicated on page 12, table 8. It is in that study that an allowance of five per cent return on investment is included. That five per cent return on investment is not included in the D.B.S. estimates of farm machinery operating and depreciation charges. Something else which is not included in the D.B.S. estimate is the farm operator's wage allowance and allowance for unpaid family labour. The D.B.S. study is designed to get at, in a sense, the cash position of the farmer, while this study by the department of agriculture is designed to look at the total of the operating cost of farming.

Mr. DANFORTH: Is the table on page 11 taken strictly from D.B.S. figures?

Mr. WENAAS: Yes.

Mr. DANFORTH: As differentiated from table 8?

Mr. WENAAS: Yes.

Mr. MANDZIUK: Supplementary to what was said a moment ago, C.C.I.L. was assisted in its start by your government. I think you, Mr. Nollet, indicated that for financial reasons this co-operative cannot expand. Are you not prepared to give it further financial assistance in order that it could compete with private enterprise or buy out Cockshutt?

Mr. NOLLET: We have a standing offer to them, whenever they want to expand, that the money is there.

Mr. MANDZIUK: It was mentioned that as assistance to farmers you support community pastures. Is that under your own legislation, or are you thinking of the P.F.R.A.

Mr. NOLLET: Both. We have P.F.R.A. pastures.

Mr. MANDZIUK: That is not under your own legislation.

Mr. NOLLET: Under our own legislation we have established provincial and also co-operative pastures.

Mr. MUIR (*Lisgar*): What percentage of your total budget is directed annually to your department of agriculture?

Mr. NOLLET: Around five and a half to six million.

Mr. MUIR (*Lisgar*): I mean percentage-wise.

Mr. NOLLET: Taking the gross, it would be six per cent, and sometimes as high as ten per cent.

Mr. MUIR (*Lisgar*): Is not ten per cent a little high?

Mr. NOLLET: No. For example, we have the emergency assistance and snow bonus they call it out there. Our estimates are up very substantially. It would run around five and a half or six per cent, including capital budget.

Mr. MANDZIUK: How many community pastures do you have established in Saskatchewan, compared to pastures established under federal legislation.

Mr. NOLLET: There are fifty-six P.F.R.A. pastures, thirty provincial pastures, and one hundred and three co-operative pastures and co-operative fodder projects.

Mr. MANDZIUK: Do your rates compare favourably to the rates under the federal pasture scheme?

Mr. NOLLET: Pretty much the same. Our pastures are on land which is taxable. The P.F.R.A. does not pay taxes, but we are hoping they will.

Mr. SLOGAN: On page 3, Mr. Nollet, you make the statement that in 1960 a bushel of wheat will buy only thirty-eight per cent of what it would buy in 1945 in terms of farm machinery. A few minutes ago I was interested to hear you mention productive efficiency. Do you, or do you not, agree that productive efficiency on Canadian farms has increased in fifteen years more than in any other sector of the economy?

Mr. NOLLET: Yes; but not a great economic benefit to the farmer.

Mr. SLOGAN: Do you not agree that because of the advances in technology, fertilizers, seed, and new farm machinery, that the farmer who was producing in 1945 really can produce a great deal more in 1960 than in 1945 in terms of bushels of wheat?

Mr. NOLLET: Yes, he can. His production techniques are better. He has more wheat, but again I say this has not put him in a better economic position correspondingly.

Mr. SLOGAN: At the same time you are taking a bushel of wheat in 1945 and a bushel of wheat in 1960, whereas in terms of productive efficiency that same man could produce between 38 per cent and 50 per cent more wheat.

Mr. NOLLET: Oh no, the best he could possibly do would be on the average of two or three bushels to the acre more.

Mr. SLOGAN: You mentioned it in your own brief. Do you think that this figure of 38 per cent is accurate, taking into consideration that the farmer will be producing more wheat in 1960 than the same farmer in 1945?

Mr. NOLLET: This would not be an offset to this cost. He has improved his machine efficiency and his labour efficiency. He was able to get rid of the hired man, to put it bluntly.

Mr. SLOGAN: But he was also able to get more wheat.

Mr. NOLLET: Not enough more.

Mr. SLOGAN: Mr. Chairman, could I continue at the next meeting?

The VICE-CHAIRMAN: Very well, Mr. Slogan will be first at the meeting at 2.30.

AFTERNOON SITTING

FRIDAY,
May, 19, 1961.

The VICE-CHAIRMAN (*Mr. Smallwood*): Gentlemen, I see we have a quorum. Mr. Slogan has the floor.

Mr. SLOGAN: I want to go back to the statement I was speaking about at the conclusion of the meeting this morning. It was that a bushel of wheat in 1960 will buy only 38 per cent of what it would buy in 1941 in terms of farm machinery. I do not quarrel with that statement, because I think it is quite correct. But later in your brief you go on to say that agriculture has shown the most rapid increase in productivity of any section of the economy. I do not disagree with your original statement, but I think its implications are wrong. Would you agree that if the fact of your productivity were taken into consideration, that this figure of 38 per cent would be quite different?

Mr. NOLLET: It could very well be down a bit, but not too significantly. The point I wanted to make is this: I was thinking that perhaps you were assuming that the per-bushel return in terms of bushels per acre would increase sufficiently to off-set it a great deal. But this would not be true. Modern

mechanization has put pressure on the farmer to increase his land holdings, and to increase the number of acres from which he can produce a crop. This would have some effect. But has had sufficient effect to off-set the low return received by the farmer, and the high prices he has to pay for goods, particularly farm implements.

Mr. COOPER: I do not think it is necessary for the witnesses to rise when they answer questions. Perhaps they would find it more comfortable to remain seated when replying.

Mr. SLOGAN: I wanted to go back to your answer to an earlier question of mine when we were talking about marginal farms, and when you stated that marginal farms were not a problem, but that the big farms were. Do you really believe that marginal farms are not one of the main problems in agriculture today?

Mr. NOLLET: In terms of economics and the things we are talking about here, I would say no, it is not a major problem. Industry as a whole is in trouble. Marginal farms present a problem, that is true; and the effect of the economic squeeze on marginal farms is more drastic in terms of social circumstances than it is upon large farms. Even if the farm is of reasonable size, it is a difficult thing; it is an economic difficulty because of the disparity of the price relationship.

Mr. SLOGAN: Would you not say that the marginal farmer is in great difficulty having regard to farm machinery, because he is not getting the capacity to derive the returns he would like to get?

Mr. NOLLET: That is true. Even though he be a small farmer with good crop land suitable for cultivation, he could help his situation to some extent by the co-operative use of machinery. Some of them have done this. Now, however, there is a tendency towards greater custom work, and some companies think in terms of renting machinery rather than selling it.

Mr. CLANCY: I have four questions based on the brief. This morning we listened to you as you went through the part having to do with machinery, and later you came to the question of plant obsolescence. How do you reconcile the two? Every tractor in Saskatchewan is old, you say. Whose estimate is that statement based upon?

Mr. WENAAS: These estimates of the age of tractors are based first of all on the D.B.S. decennial census, and on the last one, of course, which was in 1956, as far as the count on tractors and combines is concerned. These we applied to the sales of tractors and combines in each year, also as supplied by D.B.S. As a matter of fact, in order to arrive at an estimate of the average age of these tractors and combines, we had to look at the record of sales extending over the past 20 or 25 years.

Mr. CLANCY: Thank you. The next thing is at the back part of your brief where you talk about plant obsolescence. You cannot reconcile the two. If a tractor will last 14 years, you cannot say that the machine was planned to disappear in three years.

Mr. WENAAS: I think the point about plant obsolescence is that it is a point brought up by the manufacturer of the implement, and that it is designed to make the farmer feel that his machine is outmoded, before, in fact, it is.

Mr. CLANCY: Is that an opinion or a fact?

Mr. WENAAS: Well, I would have to refer to Mr. Kyle in so far as any documentation of planned obsolescence is concerned. There is a considerable element of this feature developing in the industry.

Mr. CLANCY: Is that an opinion or a fact? Can you prove it?

Mr. KYLE: I think with respect to the words "planned obsolescence", it is an expression which covers quite a wide range of interpretation. Planned obsolescence, perhaps, may be thought of in terms of the automotive industry.

Mr. CLANCY: I think we all understand what planned obsolescence is. We are all business men or farmers. So would you please answer yes or no? Is it an opinion, or is it a fact?

Mr. KYLE: I suggest, sir, that from your interpretation it would be an opinion, that this is planned obsolescence.

Mr. NOLLET: I think we could say that if a farmer had plenty of money, it would be a fact that he would buy machinery. You know how they are, and how we all are.

Mr. CLANCY: This morning I heard it said that it was estimated. Whose estimations are these?

Mr. WENAAS: In regard to the age of the tractor?

Mr. CLANCY: It was when the minister was reading the introductory part of the brief, he said it is estimated. Whose estimations are they?

Mr. WENAAS: I can be quite specific and clear on the age breakdown of the tractors and combines. These were estimates based on the work by the planning board. However, the basic data is obtained from D.B.S. These were expressed as estimates, because in this field almost any figures you come up with are estimates. But we believe they are quite reliable estimates.

Mr. CLANCY: That is something you would not believe from Massey-Ferguson. We said, come back and produce facts.

Mr. WENAAS: I do not think Massey-Ferguson dealt with this particular point at all. I think the statistical foundation for these estimates of the average of tractors in Saskatchewan and the prairie provinces, and the same study for combines, is pretty sound.

Mr. CLANCY: You do use the D.B.S. figures?

Mr. WENAAS: Yes.

Mr. CLANCY: Every tractor which burns thirty-five gallons of gas burns one gallon of oil.

Mr. WENAAS: No.

Mr. CLANCY: Those are D.B.S. figures.

Mr. WENAAS: At this particular time I am referring to the studies we have made of the average of tractors and combines in existence in the province of Saskatchewan and also in the prairie provinces, and this other estimate about the average amount of oil or gas has no relevance to this at all.

Mr. CLANCY: There is no physical count. It is an estimate.

Mr. WENAAS: There is a physical count every five years, and there has been over the last period of time. At this time we have to make an estimate because, although the census is being held this year it has not been held yet. That is the point.

Mr. CLANCY: In one of the appendices I see an average price of wheat for a certain number of years, but no grade is given. Is that based on No. 1 northern, and where?

Mr. WENAAS: No; it is the average price for all wheat. Accordingly there would be fluctuations, because in different years there is a higher proportion of higher grades of wheat. This is the average price of all.

Mr. NOLLET: Of all grades?

Mr. WENAAS: As a matter of fact, it is the average farm price in Saskatchewan.

Mr. SOUTHAM: One of my basic questions has pretty well been answered. It had to do with the observation about planned obsolescence and is based on the assertion on page 5 where you say:

Industry policies of planned obsolescence are also raising costs.

I was going to ask what evidence you have on this question, because I have asked this question of several witnesses and they have denied there was such a thing as planned obsolescence. I wonder if you have any evidence, or if it is based on your testing in Saskatchewan in connection with this?

Mr. WENAAS: We have produced no evidence in relation to the testing program which would support this contention. This is based on the observation that there are some features built into model changes that appear not to be utilitarian.

Mr. SOUTHAM: I come from a farming area and have heard this assertion. I have put the question to certain witnesses and they have emphatically denied it. I notice you commence with an emphatic statement, and I wanted to co-ordinate the two.

Mr. HORNER (*Acadia*): There is the following statement on page 11 of your brief:

It should be noted that an allowance of a five per cent return on investment was included in the farm business summary's calculation.

Do you say that a five per cent return on investment is a minimum amount a farmer should be expected to take?

Mr. NOLLET: I would think so.

Mr. HORNER (*Acadia*): Would you suggest that five per cent is the minimum that a machine company, or any other business should take as a return on investment?

Mr. NOLLET: That would be a hard question for me to answer. One would think that if it is sauce for the goose it should be sauce for the gander; but there are possibilities that because of their structure aspects probably a higher return would be required.

Mr. HORNER (*Acadia*): For who?

Mr. NOLLET: In the case of the companies. Only a very careful analysis would determine that. I would think, in any man's language, a five per cent return is pretty good.

Mr. KORCHINSKI: My question has been partly answered. I am wondering what is so disturbing about the fact that the average length of a combine has increased from 6.4 to 9. This relates to the industry's opinion on planned obsolescence. Do you believe there is a planned obsolescence, or that the average length of a combine has increased and therefore there is no planned obsolescence.

Mr. WENAAS: I think the member has misunderstood the point that was being made in this brief. We have not suggested that the average life of the combine has increased from 6.4 to 9. What we are stating is that our analysis indicates that the average age of the combines now in use on the farms, including the ones which have just been bought as well as the ones that are on the point of being scrapped, has increased from 6.4 years to 9 years. What we are indicating there is that on the basis of the study the combines in existence in 1956, including the ones that had just been bought, had an average age of 6.4 years, while in 1960, just four years later, the combines in use on the farms—this in the prairie provinces—had an average age of 9 years.

I think, perhaps, that a number of the members have misunderstood the point we were making here. We are not suggesting that this is an indication that the life of a combine is only nine years, but that the average age of tractors now in use is nine years.

Mr. KORCHINSKI: Do you not think that there is another factor involved in this? I can recall that during the war we could not buy a great deal of machinery; however, after the war was over it was a different situation. I purchased my first combine in 1948. We used threshing machines before that time. Therefore, in connection with your statement having to do with 1956, you could not possibly have had an average life of any more than that. These machines presently are being used everywhere and nearly everyone has one of some sort or other. Therefore, the average age should expand, and this will continue up until a certain point. Do you not think that is contributing factor?

Mr. WENAAS: Well, in 1946, according to our analysis, the average age of combines in the prairie provinces was 6.9 years. This is set out at page A-31.

Mr. MANZIUK: How many acres or hours per annum is allotted to the combine which lasts that many years?

Mr. NOLLET: It has nothing to do with the probable life of a machine. This is just saying how old they are at the present time—the average age of them.

Mr. WENAAS: We are just looking at them as though they were people and giving the average age.

Mr. MANDZIUK: Of life expectancy?

Mr. WENAAS: No. You see, the average age of the people here in Canada is such-and-such, but that does not mean they are going to die at that particular age. This is the average age of combines. It was 6.9 in 1946, 5.9 in 1951 when there were increased sales, 6.4 in 1956, and 9.0 in 1960. This has been the pattern.

Mr. KORCHINSKI: Do you not think it is a good thing if machines last longer. In other words, if it costs \$2,000 and I can use it ten years, that comes to \$200 a year. However, if I can only use it for five years, the amount would be double, namely, \$400 a year.

Mr. WENAAS: Perhaps I have not made myself clear.

Mr. KORCHINSKI: No, you have not.

Mr. WENAAS: This does not include how long the combine is expected to last; all this indicates is that there is a higher proportion of old combines now being used in the prairie provinces than was the case five years ago, and we believe that that represents the beginning of a rather unsatisfactory situation because, in five years' time, unless the sales of combines are very much increased, you are going to have a higher proportion of old combines being used.

Mr. KORCHINSKI: I use old machines, and they have been very serviceable; are you advising that we should trade in our machines every year?

Mr. WENAAS: No.

Mr. NOLLET: If you would turn to page 17, I think, as a farmer, you will see it more clearly. Would you look at table 11. In Saskatchewan this shows that at June 1st, 1956, there were 121,000 tractors, and the average sales since 1956 up to the present time has been \$4,484. All we are saying is that due to various factors, principally the disparity in farm income, the farmers have not been replacing machinery, and if this continues it would take 27 years to replace the 125,000 tractors. That is all we are saying.

Mr. KORCHINSKI: Well, I don't believe that. At one time I only had one tractor, but now I have three. I use that one tractor to bring the cows home. However, I do not use that one any more; I have another one. The same tractor will last me twenty years. However, if I used it to haul a load of grain into town, that tractor would be in use more often, and, therefore,

would have a shorter life. That tractor I have today I hope will last me twenty years.

Mr. NOLLET: We are not arguing that. They are getting older, not because of any planned obsolescence, but because the farmers have not been able perhaps to replace them as fast as they ought to. We will say that a tractor or combine ought to operate with reasonably good care for fifteen years, or with really good care, for twenty or twenty-five years. I have seen old binders that have gone for twenty-five years; but, it depends on the treatment they are given.

Mr. KORCHINSKI: I have tractors that I would not want to replace. I will add parts to a tractor because I want to keep it. In other words, there is no planned obsolescence. That tractor will last longer. Is what I am saying not right?

Mr. NOLLET: Well, this expression "planned obsolescence"—

Mr. KORCHINSKI: It is a bad word.

Mr. NOLLET: The only time you could use it would be by way of demonstration. Let us assume that new methods, refinements, soft seats and so on came out, and farmers had a lot of money; then I think the same concept of keeping up with the Joneses would take place, and there might be some premature obsolescence. We must remember, however, that it is not altogether bad, because usually the farmers that will be buying the new machines will be the bigger farmers, and the smaller ones usually have an opportunity to buy a second-hand one.

Mr. KORCHINSKI: Are you suggesting that I am gullible enough that I will buy a new one because it has a cigarette lighter, or some other gadget on it, and has a two-tone paint job?

Mr. NOLLET: No, I am not. All I am saying is that when we talk about rationalization of the industry, it is this: These kinds of gimmicks to induce sales should not be used in the farming industry, and in my opinion the successful machinery industry of the future will be the one that sells a good, durable product that is well suited for the work intended, and will provide good service. That is all I am saying.

Mr. CLANCY: In connection with this subject of age, to me, your figures are rather misleading because you started off in a year when, in certain areas of Saskatchewan, mechanization was just started. I think you are all aware of the fact that starting in 1947 and up until 1954 there was a great deal of mechanization in the northeastern part of the province. Before that, they used horse-drawn vehicles. As a result of this, there was an increase in the sales of tractors. I do not think that the figures you have given us mean anything. They do not reflect the real problem.

Mr. WENAAS: This is an attempt to measure the effect of the reduced farm machinery sales.

We made three approaches: one of them was referred to by Mr. Nollet a short time ago in which he related the average annual sales of 1956 to the stock of tractors on the farm in 1956, and we obtained from that the number of years that it would take to replace tractors if sales did not increase.

Mr. CLANCY: In other words, your argument is that this is from the sales point of view and not from the farmer's point of view?

Mr. WENAAS: It is definitely from the farmer's point of view. It seems to us to be a matter of concern to the farmer if he is unable to purchase sufficient farm machinery in order to keep his capital investment in good order. We have taken the approach that any business should be concerned if it finds it is not replacing its capital equipment as fast as it is being depreciated. That

has been indicated by the D.B.S. figures we referred to in table 10, where it was indicated that since 1954 there has been a depreciation in the value of farm implements in Saskatchewan of \$93 million, and in all the prairie provinces of \$166 million.

Mr. CLANCY: There are two types of depreciation, one for income tax purposes and one which is realistic.

Mr. HORNER (*Acadia*): Oh, now—

Mr. WENAAS: This is the depreciation rate that has been applied by D.B.S., and it is based upon farm surveys. It is possible there is some error in it but the general direction of the trend is, I think, quite clear.

Mr. CLANCY: What are you trying to prove by the emphasis on aging machinery?

Mr. WENAAS: In looking at the average age of tractors and combines, which are the two largest single items in the farmer's budget for farm machines, we sought to ascertain the effect of these reduced purchases of farm machinery. Although we would not have been alarmed if we had seen a moderate increase in the age of tractors and combines in that comparatively short period of time and, as we indicated this morning it may be possible to explain some of that on the basis of improved technology, it is however a matter of concern when in just four years the average age of tractors on the farms in Saskatchewan has increased by about two years.

Mr. CLANCY: In other words, you are trying to prove the amount of the machinery bought is the gauge of the farmer's prosperity?

Mr. WENAAS: Yes, and I think that is quite clear.

The CHAIRMAN: We have now spent one hour on section one, and I notice there are seven sections in the brief. Are there any further questions on section one?

Mr. FORBES: I have one on section one.

The CHAIRMAN: If we are going to continue on section one, then Mr. Danforth is next.

Mr. DANFORTH: My questions have a bearing on section one and on a continuation of the brief. Mr. Minister, in looking at this brief I am under the impression that by the compilation of these figures you are attempting to present a picture of what is happening to farm prices and machinery prices. Am I correct in that assumption?

Mr. NOLLET: Yes, and their effect on the farm machinery set-up.

Mr. DANFORTH: I am also under the impression that the D.B.S. and the other sources available to the department have tried to make these comparisons as correct as possible. That is a fair assumption, is it not?

Mr. NOLLET: Yes.

Mr. DANFORTH: And all you have done is to change your values to be consistent with the rise in price of farm costs due to mismanagement, which would have quite a bearing on the picture you represent. What I mean by this is that tremendously large tractors are bought, as is done in Saskatchewan—and I may add I was out there and saw the farmers pay anything from \$6,000 to \$8,000 for a tractor, which is not uncommon today—when perhaps a \$4,000 tractor would be sufficient. That is one kind of mismanagement. When that happens, you are overbuying in the potential of the machinery, and its depreciation costs and investment costs are going to rise in proportion.

I feel it is unfortunate that you included the farm automobile in this machinery investigation because of the fact that automobiles are not always classified as farm machinery, especially where there is a truck as well on a farm. Has anything been done to discount the actual cost where there would

be two cars and a truck on a farm? In other words, how much credence can we put on these total farm costs because of the fact that these are costs which are inherent in the picture as presented?

Mr. NOLLET: I think the best gauge for judging that would be in the section we have on farm management survey, which involved the better farmers, the farmers with better ability.

If you look at the bottom of page 12 I think that pretty well confirms the other figures which were given, and I think it will pretty well answer your question. Of course we must agree there is a certain amount of mismanagement and poor utilization of machinery, as you say.

Mr. DANFORTH: That would increase the cost?

Mr. NOLLET: I do not think this factor is as significant in Saskatchewan as elsewhere, but probably there is a great degree in Saskatchewan because the size of farm units has been going up tremendously. This means that farmers are very conscious of the need for acquiring increased land resources because of their increased capital investment in machinery. That has applied in the past, although there are some who are over capitalized in so far as machinery is concerned.

This farm management and business summary, made by our farm management people, takes in the better class of farmers and the figures seem to confirm pretty much what has been our contention in the brief.

Mr. FORBES: Mr. Chairman, on section one, page 18 of the brief, it is stated:

We have not attempted to go into the question of the factors that enter into the costs of the materials used in manufacturing since this would require an analysis of the whole economy.

Now, the matter of costs is the subject of this whole inquiry, and a lot of the material you are supplying is irrelevant to the facts we want to bring out.

We want to know in dollars and cents how much labour goes into a tractor or whatever you are building, how much, in dollars and cents, applies to material, what is the mark-up of the manufacturer. Our opinion at the beginning was that the manufacturer's mark-up was too great, that there was something in the form of collusion between the various companies arriving at prices. Those are the things we want to know—why did you not carry on your inquiry into the effect of costs.

Mr. NOLLET: We would have liked to, but to get it accurately and in fairness and justice to the companies and all concerned, this information you obtain ought to be very accurate and ought to be obtained by some competent accounting firm, unless you want to have for granted the material that is given to you by the manufacturers themselves. When we had our investigations in Saskatchewan in 1952 we were unable to get that information from the companies, and at that time, I believe, by a resolution of the legislature, we asked the federal government to continue this inquiry, as you are doing now. It is our hope that this committee will get very accurate information. We want to know, all of us, what are the component costs of manufacturing. I do not know; perhaps steel has gone up, perhaps there is justification for this. These are the questions we need answers to and we are hopeful that this committee might find them. We, as a province, cannot require companies to come to us and open their books. We have that power. You can make all these inquiries, and we are hopeful you will do it and find out what the facts really are.

Mr. FORBES: Is it your opinion that the companies actually know what it costs to produce individual machines?

Mr. NOLLET: I think they do.

Mr. HORNER (*Acadia*): I have a supplementary point. Did I understand you right, Mr. Minister, with regard to the statement you made, did the Saskatchewan government after their inquiry request the federal government to make an inquiry into agricultural prices of machinery such as is going on right now?

Mr. NOLLET: We did. You will have a copy of this inquiry of ours in which one of the first recommendations was that the federal government be asked immediately to take appropriate and effective action or alternatively to increase prices of farm products in order to modify the effects of high machinery costs. If I remember correctly, at the same session of the legislature we passed a resolution asking the federal government to continue this inquiry.

Mr. MANDZIUK: What year was that?

Mr. NOLLET: 1952.

Mr. MANDZIUK: Have you made any other requests since 1952 for such an inquiry?

Mr. NOLLET: I could not say offhand. The legislature may have subsequently, but I am pretty sure they did. This report was submitted to the legislature and it was followed up by a resolution to the federal government. You can check that.

Mr. KORCHINSKI: Mr. Nollet suggested here that perhaps the price of steel has gone up. Would you go so far as to say that the increase in labour has contributed towards the increase in the price of machinery?

Mr. NOLLET: You will have labour people presenting a brief to you, and I think they will submit evidence to say that the labour factor of cost has diminished—but I am no authority on this.

Mr. KORCHINSKI: I would like you, sir, to give me your opinion whether labour has contributed towards the cost of machinery, the increase in the cost of labour?

Mr. NOLLET: I do not think labour costs have been as significant as other costs.

Mr. KORCHINSKI: But they have contributed towards the cost?

Mr. FORGIE: What other costs, what else has contributed?

Mr. NOLLET: I would say probably material costs and the cost of re-equipping and retooling of factories in terms of better machines, and automation. I think it is pretty well accepted that in all industries, including agriculture, the cost of labour has gone down. It is the mechanization phase that has added to the cost. These factors may be legitimate, but they are things we accept.

Mr. KORCHINSKI: One more question: would you not say then that in the cost of material, labour is a factor?

Mr. NOLLET: Certainly, it is a factor all down the line.

Mr. FORGIE: Mr. Chairman, I sent out 1,800 letters to the farmers and I got answers—about 162 of them—and the prime factor in increased cost of machinery, according to the farmer, is the cost of labour, and second, the cost of steel.

Mr. NOLLET: It could be. None of us know, but to get an accurate picture, the only thing to do is see the books of the companies.

Mr. FORGIE: Why is it that in this brief it is not shown; why is it not admitted in your brief; why do you not know that?

Mr. NOLLET: We do not know. If the companies had given us access to this information in 1952 we would have known. At that time we did engage an accounting firm to get an accurate picture, and I think this should be avail-

able to the public. We ought to know the facts. I am not interested in fiction. All I have been doing is expressing an opinion in this regard. I think all of us want to know the facts.

Mr. FANE: I do not know which section my question comes under, but I had the impression all through this brief that the recommendation of the Saskatchewan government is that we have nationalization of the farm machinery business. Now, I want to know how much—

The VICE CHAIRMAN (Mr. Smallwood): Your question will come under section 2.

Mr. HORNER (Acadia): We are finished with section 1.

The VICE CHAIRMAN (Mr. Smallwood): Are there further questions on section 1?

Mr. THOMPSON: I have a question on page 24.

Mr. HORNER (Acadia): That is in section 2.

Mr. BOULANGER (Interpretation): Here is the question I would like to put. We have here the reports from machinery companies. International Harvester reports net profits of 3 per cent in 1960; Massey-Ferguson from 1954 to 1960 reports a net profit of 2.3 per cent. Do you find these net profits exaggerated?

Mr. WENAAS: I do not know how those were calculated in the case of International Harvester because I have not seen them, but in the case of Massey-Ferguson, those profits have been calculated in relation to sales. I would suggest that the more appropriate way of calculating the rate of profit is by relating the profit to the amount of capital investment required. You get quite a different picture then.

Mr. BOULANGER (Interpretation): But if you calculate profit on investments, we have here for Cockshutts, from 1947 to 1960, an after tax profit of 6.1 per cent.

Mr. WENAAS: That is referred to on page 25.

Mr. BOULANGER: Do you think it is too much?

Mr. WENAAS: I would not say, in regard to Cockshutt farm equipment specifically, that over the whole period this exceeds an adequate amount. I do, however, refer you to Massey-Ferguson. Over the whole period in spite of the reduced farm machinery sales since 1954 Massey-Ferguson has showed a return of 11.1 per cent on stockholders' investment after taxation.

Mr. BOULANGER: 7.2 per cent after taxation.

Mr. WENAAS: 19.6 per cent before taxation, on page 25, paragraph 2. 11.1 per cent after taxation.

Mr. BOULANGER (Interpretation): How do you think the price of agricultural machinery could be brought down through nationalization of the industry?

Mr. WENAAS: I think Mr. Nollet answered that question this morning. I would not really care to go into that in detail.

Mr. BOULANGER (Interpretation): In point of fact we import 82 per cent of agricultural machinery used in this country. Do you feel that even if nationalization were possible this would have any effect on the bringing down of prices?

Mr. NOLLET: I think I answered that this morning. I think it would have some effect. I think I made this point clear. We are not suggesting nationalization, not because of any perversity of mind, or for any particular reason. We are suggesting to you that after a very careful analysis and studies of the position here, there are some regions you may look to to find a solution—nationalization, cooperative ownership or bringing about some rationalization within the industry without any of those things occurring—if, in your wisdom,

you think this can be done after you have carefully studied the manufacturing costs and distribution costs of farm machinery. These are possibilities, and you may have to turn objectively to the possibility of nationalization. You may have to if, in your opinion, this will bring about the results, when you look at it seriously.

Mr. BOULANGER (*Interpretation*): Some of these arguments appear to me to be somewhat illogical. On page 25 you note that if the sales were higher profits would be still adequate, whereas on page 19 you point to the fact that profits are already excessive. How do you reconcile those two statements?

Mr. WENAAS: The answer to that is that we are suggesting here that the reason for the reduction in the profits of the farm machinery companies since 1954 is that their sales have gone down and their average cost of manufacture has accordingly gone up, and as a result even though they have maintained their prices at a higher level and have increased them, their profits per farm machine have gone down. What we are suggesting on page 25 is that during the early post-war period the companies were able to realize very high profits on the basis of large sales, and they could very well have reduced farm machinery prices in that period. What we are suggesting further is that now, if farm machinery sales were higher, if farm income were such as to maintain farm machinery sales at a higher level, then the farm machinery companies would be realizing the same level of profits that they did in the early post-war period and accordingly a very considerable reduction in farm machinery prices would be justified.

Mr. BOULANGER (*Interpretation*): So that the real crux of the problem would be a reduction in agricultural prices.

Mr. WENAAS: Yes, and it can also be maintained as it was before a number of commissions, both in the United States and Canada, that if farm incomes were at such a level as to sustain a high rate of farm machinery sales, and accordingly a higher rate of farm machinery production, the cost of farm machinery thereby would be reduced because of larger production, and this would enable reductions in farm machinery prices. Therefore, we would suggest there is a relationship between a high level of farm income and the question of producing farm machinery at the most economical price.

Mr. BOULANGER (*Interpretation*): You state on page 19 that the farm implement industry is dominated by a few companies. Do you have any evidence to adduce in this connection?

Mr. HORNER (*Acadia*): What firms are you referring to?

Mr. WENAAS: As far as Canada is concerned we are referring to Massey-Ferguson, International Harvester and John Deere. I think those would be the principal ones. We have the D.B.S. report on the farm implement industry prepared in 1958 in which it is indicated that five establishments—now, two or three of these establishments are owned by the same company—produced 84 per cent by value of factory shipments of farm implements in Canada. When you have those few firms producing that large share of the production, then it is fair to say that the industry is dominated by a few firms.

Mr. BOULANGER (*Interpretation*): Do you feel that if we were to nationalize industry, that is to make your industry subsidized by the state, that this would have any effect on our exports, because as it happens, we export 76 per cent of our production?

Mr. WENAAS: In answer to that, I would just refer you to the fairly recent announcement that Polymer has recently established a plant in France. Polymer is a crown corporation, and we do not see that there would be any necessary difficulties arising in the export trade as a result of a change of ownership of the Canadian farm machinery industry.

Mr. BOULANGER: It is not the same thing at all.

The CHAIRMAN: Polymer is not a farm machinery company.

Mr. NOLLET: We are to look at this from the point of view that you have these large companies, and that it would not necessarily be bad. It is only bad when these companies dominate the industry and extract excessive profits. They probably make substantial savings. That is the trend, largely. And if there is a possibility that these large companies can make substantial savings in production and distribution, then they ought to pass these savings on to the farmer and not take more profit themselves. This is the proposal we make. And if they do not do that, then I suggest you should regulate them and have co-operative ownership; even though you met them in terms of crown corporations. This is the point. It is the benefit of these reduced manufacturing and distribution costs as passed on to the farmer, so that the organization does not take too much. That is the point.

Mr. BOULANGER (*Interpretation*): If there was a deficit in the company's accounts, do you feel that the buyer should have to share in that deficit?

Mr. NOLLET: I think every company ought to carry itself, whether it be a farm machinery company, or whatever it is.

Mr. MUIR (*Lisgar*): When I asked Mr. Nollet this morning in the light of the experience of the Saskatchewan government in manufacturing, and how they could justify the suggestion in their brief that the federal government should enter into the field of manufacturing and distribution of farm machinery, the answer I got was that he gave me as an illustration the Saskatchewan hydro. It is generally an accepted fact throughout Canada that public utilities render a general service to the general public, and they can be operated at a profit, because essentially, of course, they are a government monopoly. That is true. My question, however, was directed more towards the manufacturing and processing phase, since that is the type of thing we are investigating now; and as an illustration I would ask you to give me some examples out of your experience. You had a tannery, and a box factory, and I think there were some others. Have you any manufacturing and processing plants that are actually operating at a profit under the Saskatchewan government?

Mr. NOLLET: Let us not say at a profit in terms of what we are talking about, namely, 14 per cent, and that sort of thing. It is true that the sodium sulphate is operating with good service; and it is much the same with the brick plant. These were industries which never existed in Saskatchewan before. These industries were not there. All of us in that province are very conscious of the need to diversify our industry. That was the reason behind the establishment of some of these enterprises. The tannery is a good example; shoes are in a very highly competitive field. Sodium sulphate, bricks, and timber—these have turned out very well. And the power corporation which is a common thing among public utilities in the province, has proved successful. The point is this, that even with a public utility I do not think it would be justified in taking an excessive profit from the users of that service, or of those goods. It would not be fair to the source of revenue, although you may justify taking a reasonable amount into the public treasury, if it is a natural resource, that you are using. I tried to make the point a moment ago that any organization ought to stand on its own feet and that the price that it charges for its goods and services ought to be sufficient to permit the organization to do that.

Mr. MUIR (*Lisgar*): Would you think that under our free-enterprise system that companies which are competing for business must compete price-wise and quality-wise?

Mr. NOLLET: The driving motive is profit. That is the driving motive. And in a conflict to survive, you must abide by these rules. An illustration of that is where you have large companies in relation to small ones, which are in a position to make excessive profits at the expense of a small segment of the economy. In this particular case, it is agriculture. That is the essential thing. If there is some way we can help the agricultural industry and by making available to it its instruments of production at a reasonable price, I think you ought to take a serious look at such a possibility. I have tried to make the point this morning, that as governments we do a lot of exceptional things for agriculture, recognizing that it is an unprotected industry. These people cannot buy; they do not have the purchasing strength to buy collectively even, and they have little control over the prices of the things they have to sell or the things they have to buy. So for that reason governments have done a lot of things on behalf of agriculture, not only in the field of improved production techniques, but also in many other fields such as your bonuses here and there and all over the place, knowing that it is desirable to help this industry particularly when it has become completely mechanized and the costs are set. Machinery costs are a big part of farm costs. But with mechanization there came a demand for better services, as you all know. So today the farmer has to have money in his pocket to pay for his gas, oil, his electrical bills, and for his education and health, and so on. That is why governments are concerned. I do hope the committee will look objectively on some of these proposals. They are not cockeyed. They are not crank proposals, as you are probably trying to suggest, or socialistic fancy, probably.

Mr. MUIR (*Lisgar*): That is what we are trying to find out.

Mr. NOLLET: We should seriously look at them, and if the companies can exercise some control, even though they are big, they can reduce the cost of manufacture and distribution, and that is fine. But I do not think we can for long go along with other industries riding on the backs of agriculture. It just will not work in modern society.

Mr. HORNER (*Acadia*): Do you include labour unions in that too?

Mr. NOLLET: Surely.

Mr. MUIR (*Lisgar*): At Massey-Ferguson last year, I believe they did more business, I think they said, than they had ever done in their history. I think that is right. Do you not think that the fact that such a big proportion of their machines were sold for export would not help the plant to operate more efficiently, and thereby assist the Canadian consumer?

Mr. NOLLET: I think it would depend.

Mr. MUIR (*Lisgar*): As well as to provide jobs for Canadian people?

Mr. NOLLET: That is right, surely.

Mr. FANE: Throughout this brief nationalization of the farm machinery industry is more or less suggested or advocated. I would like to ask how exhaustive was the inquiry made in regard to how this is working out in other countries? How many other countries have nationalization of their farm machinery, or of any other industries like that? I would just like to find out what kind of inquiry was made into that question. I shall ask the rest of my question after you tell me that.

Mr. NOLLET: I am not aware of any country—any of the western countries—where there is any large scale government enterprise in the manufacture of farm machinery. I do know that where cooperative efforts have been made, small though they are, they have achieved some substantial savings.

Mr. FANE: Then Russia is the only country that has it?

Mr. NOLLET: I do not know anything about their situation, how they operate or anything.

Mr. FANE: I have a membership in cooperative stores. I find that buying groceries in cooperative stores is not one cent cheaper and is usually a little more expensive than buying through privately owned stores.

Mr. NOLLET: That is open to question. The one good thing, however, about the cooperative situation is that if there is any profit made, or any surplus, it is spread among the patrons. This does good in our modern society. Spreading money about is like spreading fertilizer; it should be spread around widely and thinly in order to do the most good.

Mr. FANE: I just want to compare two railways; one is nationally owned and the other is not nationally owned. The C.P.R. that is privately owned runs at a profit. The one that is nationally owned receives an \$80 million subsidy to keep it in the picture. Would that same thing happen to the farm machinery business if it was run as a national organization?

Mr. NOLLET: You might be in trouble if you took it over on the same basis the government took over the Canadian National. It was pretty well defunct. If they had squeezed all the water out of it before they took it over, they would not have had the heavy liability. However, I do not think this makes any difference in the operation, production-wise, of an industry whether it is publicly or privately owned. Both of them endeavour to achieve the greatest efficiency of production. There are expert people available. This depends on management.

Mr. FANE: Theoretically it should be perfect, but in life it does not work out worth a darn.

Mr. NOLLET: In the case of the public utilities in Saskatchewan, I know there is very careful scrutiny by members of the legislature. Private companies do not have that; they can tell us to go to hell and do not make available to us their records. I think they should. We and the public ought to know the facts.

Mr. THOMPSON: If it were possible to cut back prices by all the means mentioned in the brief—by cutting back on profits, by standardization and rationalization, and by cutting back on transport cost, and so on—do you still think you could keep the price of farm machinery from rising?

Mr. NOLLET: No. If inflationary trends continued, quite naturally the prices would go up.

Mr. THOMPSON: What do you mean by inflationary trends?

Mr. NOLLET: If the basic price of steel, for example, goes up it would have an effect on the farm machinery industry.

Mr. THOMPSON: How about labour? Is that a factor as well?

Mr. NOLLET: It could be a factor.

Mr. THOMPSON: And also a factor in the cost of steel as well.

Mr. NOLLET: I like to be objective. Let us not try to put all the blame on labour. All these are cost factors, but we need to look at the whole field.

Mr. THOMPSON: Is not labour a factor in all these things—transportation, steel and everything else? Labour is a factor, and if you cannot keep the cost of labour at a constant figure you cannot keep the prices at a constant figure.

Mr. NOLLET: That is true. We must remember that we all are caught in the cost price squeeze. If costs go up of goods and services you get an adverse reaction from labour. Their membership immediately goes to their leader and says "we want more money because our rent, food, the price of our cars and TV and everything else has gone up." The sad part is we are always in conflict. We will have to find some answer some place.

Mr. THOMPSON: That is the point. What is the answer you would advocate? How do you reconcile the notion of labour and industry so far as farm machinery prices are concerned.

Mr. NOLLET: We are getting into a broad field. In general terms I think a farmer has always been said to be dependent on the general prosperity of the economy. Hundreds, thousands or millions of people eat. If these millions have the money they should be able to buy food at a price that will give the farmer a profit. Similarly, I think the labour people will argue that if we are going to have a market for the product of our labour, agriculture should be prosperous. In the post-war period the reverse has been the case. Agriculture has been in a sort of a depression and far behind, as everyone knows, while the industrial sector, so far as labour people are concerned because of their strong organization and immediate bargaining powers, has been able to get increases in wages and salaries. The farmer did not have that bargaining power and he was caught. I do not think that we as farmers can blame labour altogether for that situation. Let us assume that wages and salaries had not gone up and goods and commodities had; I think probably we would have been in a depression.

What I am objecting to is the way we go about these adjustments. We get into labour dispute, strikes and this sort of thing. I think that all of us will have to acquire a greater sense of responsibility for the different occupational groups. This is the way I like to face problems, whether it be the farm problem or any other. I do not want to see any discrimination against any organization no matter what kind of service it provides or on what basis it provides it, so long as it does not make an excessive profit. My first complaint about agriculture is that the farmers have not had the income to keep their plant in a good state of operation. Every one of you gentlemen sitting here knows—and if you do not Mr. Cadieu could tell you—that if you are a contractor out building roads and do not keep your machinery up to date and in good working order you are soon out of business.

Mr. SLOGAN: I would like to quote from the Massey-Ferguson brief, section E, page 9 where it says:

The price of rolling-mill products has increased by fifty-six per cent since 1949, while the price of iron has increased by forty-six per cent. This compares with the seventy-three per cent increase in average hourly earnings over the same period.

Would you not agree that perhaps labour is one of the main factors in the increase in the price of farm machinery?

Mr. NOLLET: Yes; but I think you could say how many men they employ now as compared to another period. My understanding is that in the last few years there have been less and less men employed in farm machinery and automobile factories. This is your and my problem. These people go on the unemployment lists. If they do not get a job producing something they get a job in the service trades such as running a filling station or something like that.

Mr. SLOGAN: In section B of the Massey-Ferguson brief at page 11 they show where from 1954 to 1960 their net income as a percentage of their sales dollar was 2.3 per cent. This is an outfit that is exporting 85 per cent of its machinery. Do you think a government-owned operation which should not be in the export field, but more or less is trying to supply domestic users alone, could compete when an efficient organization like Massey-Ferguson which is working on such a narrow margin of profit?

My second question is this: Do you think, if the government took over, that it could substantially reduce the price of farm machinery when they are now working on such a narrow margin of profit?

Mr. WENAAS: Again, as indicated in relation to an earlier question, this profit margin is calculated in relation to sales while, if you calculate profit for Massey-Ferguson for the same period in relation to the investment, it comes to 11.1 per cent after taxation. I think that is a point worth bearing in mind.

In relation to your first question, it is quite conceivable that a publicly-owned farm machinery industry could operate in the total North American market. That should not be precluded at all. I think it would be wrong to lay down the condition that such an industry could not operate outside the Canadian market, because, certainly Massey-Ferguson is an integrated operation, and you could not expect to dispose of Massey-Ferguson's subsidiaries in other countries to private interests and expect that you are going to have the same type of operation in Canada. So, I would say, in answer to your question, that you could not separate, really, the one from the other without quite a major readjustment in the structure of the industry.

Mr. SLOGAN: Would you object if the Government of the United States came into Canada and took over one of the American subsidiaries in Canada as a government-owned operation, and competed with privately-owned corporations in Canada.

Mr. WENAAS: I can only answer that question by indicating that apparently France has not objected to a Canadian publicly owned industry being established in France. I am referring to Polymer Corporation, in this case. I can only say, further, that as far as the ownership of an American subsidiary of a Canadian company is concerned, that probably it would not be of any particular concern to the United States government whether this subsidiary was privately owned by one group or publicly owned. It really could not be cooperatively owned, because that would involve a very substantial change in the principle of public ownership.

I think that would be my answer to that question.

Mr. SLOGAN: I would like to ask, also—

The CHAIRMAN: Mr. Slogan, I was giving you just one supplementary to a question previously asked.

Mr. SLOGAN: Well, I think I have been on the list three times.

The CHAIRMAN: And you also have spoken three times. My purpose in doing this is to give each member an opportunity to ask some questions.

Mr. SLOGAN: Will you put me on the list again?

The CHAIRMAN: Yes.

Mr. Horner, you are next.

Mr. HORNER (*Acadia*): Mr. Chairman, my question deals with page 25, in regard to profit.

Mr. Nollet has said that he does not mind profits, but that he thinks excessive profits should be passed on to customers or consumers.

At page 25 you deal with company's profits. Now, in this study we have taken approximately the last ten years—some industries and some manufacturing companies have taken twelve years—in comparing their profit ratios, price ratios, and cost analyses. The thing that bothers me is that we are well aware of what the profits were. During the period 1950 to 1954, Massey-Ferguson pointed this out quite clearly in their own briefs, and it has been pointed out in the briefs of other companies. The thing that alarms me, in looking at a graph at page 52, and a table by D.B.S., is that the prices of farm machinery rose above general wholesale price levels sharply; it started in 1955 and moved up sharply. In fact, in taking the period that you took, from 1947 to 1960, machinery prices doubled during that time. In the last five years they went up 50 per cent. Here is my question: Would it not be proper to assume, to some

extent at least, that in the case of a company which was making large profits, the prices would have a tendency to be higher, but in the case of a company which was making a smaller profit, or reduced its profits sharply, the prices should go down on that particular machine?

Mr. NOLLET: Yes.

Mr. HORNER (*Acadia*): Well, that has not happened. Massey-Ferguson's profits, as well as others, have come down in the last five years. What is the reason for the reverse? If profits is the enemy, then prices should have come down rather than go up. We tend to assume that if profits did go up, then this would be the culprit. However, it does not appear to be, in this analysis.

Mr. WENAAS: Yes. As had been indicated a little earlier, the factor in the reduced profit levels of the industry since 1954, even though prices of farm machinery have gone up, is that they have reduced sales and reduced production.

Mr. HORNER (*Acadia*): I would like to deal with that. I am looking at International's annual report. Their sales in Canada alone have gone up steadily since 1951, in dollar value, although I realize this is not a constant dollar value; however, I would say their production must have remained relatively level. The same is true of Massey-Ferguson; their sales have gone up from \$200 million in 1950 to nearly \$495 million in 1960. So, they have had a continued growth in sales. Perhaps Massey-Ferguson has not in Canada had this growth, but International has, in Canada alone. I have the charts right here to prove it.

Mr. WENAAS: The point is, however, that in Canada the sales of machinery have declined, as you recognize, since 1954, and the lower levels of production than might have been justified under circumstances of higher sales have resulted in higher costs of manufacturing.

Mr. HORNER (*Acadia*): This is the very point. We had information before us from the Federation of Dealers, and they gave us tables and graphs, one of which I have before me now. It indicates that sales of tractors—and they are the main issue; and here is a graph on combines, and they are two of the biggest component purchasers of farm implements—have remained relatively constant since 1954. This is in Canada alone.

Mr. WENAAS: How about before 1954? They declined from 1953 to 1954.

Mr. HORNER (*Acadia*): I will accept that, but why has the price increased 50 per cent from 1955 on? This is not because of a drop in sales or increase in profits.

Mr. WENAAS: My comment would still apply. Previous to 1954 there were higher sales of farm machinery and higher output.

Mr. HORNER (*Acadia*): Not on their total sales.

Mr. WENAAS: In Canada, there was.

Mr. HORNER (*Acadia*): But Massey-Ferguson operates a world-wide operation. Their profits last year were something like 3 per cent, and their profit on capital assets was only 6 per cent. This is the point I am trying to clarify.

Mr. NOLLET: I guess you would have to go to the books of Massey-Ferguson to get your answer.

Mr. HORNER (*Acadia*): Then you are agreeing with me, in other words, that profits do not appear to be the culprit?

Mr. NOLLET: If this is correct, yes.

Mr. HORNER (*Acadia*): I am showing you where profits have come down and prices have gone up.

Mr. NOLLET: Yes.

Mr. HORNER (*Acadia*): And you would have a tendency to think prices should have come down?

NOLLET: Yes.

WENAAS: One of the problems is that Massey-Ferguson has not been on the same basis over the whole period; so, at the beginning of the period we are dealing with Massey-Ferguson's sales in the United States and at the end of the period we are dealing with Massey-Ferguson on a world-wide basis.

Mr. HORNER (*Acadia*): Massey's profits in 1954, when they were not incorporated as Massey-Ferguson, were 17.1 per cent, and according to the same report today their profits are 9.3 per cent on sales. Therefore, I do not agree with the argument you are presenting.

Mr. WENAAS: I have a reference here in our table F-3, on page A-38, and this is based on the annual reports of the company concerned prior to 1954. Prior to 1954 that company's statements were consolidated for United States and Canadian operations, and 1954 consolidation includes U.K. and Ferguson interests in the United States and Canada. The worldwide basis of consolidation came in 1956, or thereafter. Since that time there has been a further expansion of the company, so that unless the company is preparing its statements on a different basis it may be this is part of the explanation for the fact that the total sales of the company have not seemed to increase over the period.

Mr. HORNER (*Acadia*): No.

Mr. SLOGAN: What percentage of that profit would be taken up in inflation? The dollars were invested at a time when the dollar had a pretty constant value.

Mr. WENAAS: I think that would be a very involved calculation, and I would hesitate to answer the question just at the moment.

Mr. HORNER (*Acadia*): You cite total sales from 1956 to 1960. They were \$335 million in 1956 and they were \$426 million in 1960—no, that is the average—but they were \$490 million in 1960, and according to the Massey report they had sales of \$343 million in 1954 and in 1950 they were down around \$200 million. We are looking at the same figures; there is no doubt about that at all, but I am pointing out that while profits have decreased sharply the volume has remained relatively constant on worldwide sales. It is the same with International. Why have prices not come down if profit is the culprit? Apparently profit cannot be the culprit. That is the only conclusion I can draw and, if I am wrong, would you correct me?

Mr. NOLLET: There are a lot of other factors involved.

Mr. HORNER (*Acadia*): I agree, but we are narrowing them down to say profits cannot be the culprit.

Mr. NOLLET: This is why I say a very careful examination by a competent accounting firm is necessary so that the committee can get these answers. I too would like to get these answers.

Mr. MANDZIUK: The minister mentioned that some of these representations are coloured. Now, after listening to briefs presented by various suppliants one cannot help but come to the conclusion that each one tries to colour his own representation and that includes you, sir. In every evidence we get there is always someone else to blame.

This committee is concerned with the contributing factors which cause the prices squeeze and probably you and this committee have the same objective in mind, namely to relieve the farmers from that prices squeeze. We realize it is there but we want to know the contributing factors. We have had dealers here who say they are suffering from the prices squeeze. They claim they have a small margin on which to work and the farmer is such a horse trader that he squeezes out of them every possible cent of their profit, and reduces their profit to practically nil. We have had manufacturers come in here

and say that during the last number of years labour was the biggest profits, because wages have gone up. They have also pointed to the rise in the company contributed to the higher cost of the raw materials and process, the prices which they use. They have shown their annual statements and old saying that figures do not lie—but I shall not complete.

We know perfectly well that when labour representatives come they will try to minimize their share in this whole thing and try to minimize their blame. As I say, this committee has a task to sift through all this evidence and come to certain conclusions. What these conclusions will be it is pretty difficult to say, but I think this brief seems to be more concerned with remedies than with contributing factors.

You suggest nationalization of manufacturing establishments. You say there are nine companies, and you have a good argument there. You ask why not have one distributing agency instead of nine, but there is another side to that coin. If you do that you are going to deprive the farmer of the bargaining power of his horse trading instinct. Sir, I hate monopolies and so does every farmer. We have got to admit that the farmer is an individualist. He does not like to be told: "that is the only place where you can buy your equipment and they can charge you what they like". Whether they be private monopolies or state monopolies, I am against all monopolies and I believe all the farmers of Canada are against them too.

As an alternative, you suggest that if nationalization is not the solution then there should be a dictatorship establishment, a federal farm machinery prices tribunal, presumably meant to set profits at a certain level and no more. How popular is that going to be? It is a very interesting point you raise. We are interested in it because, when we started this inquiry I, for one, was under the impression that the trouble lay in the colossal profits which the farm machinery manufacturing companies were making. I think every farmer in the country thinks that is where the trouble lies, but the figures we get from those manufacturers seem to refute that point. Let us get the picture from all sides. You minimize labour but we know your presentation is coloured. We cannot deny that. There is no use denying it and I suggest we lay our cards on the table.

The CHAIRMAN: Would you like to ask your question now?

Mr. MANDZIUK: I did have a question in my mind.

Mr. NOLLET: About how badly am I coloured?

Mr. MANDZIUK: My question is this: you approve of tariff free entry of farm implements. Would you still be in favour of tariff free entry of farm implements if we nationalized the farm manufacturing business?

Mr. NOLLET: Absolutely.

Mr. MANDZIUK: You still would?

Mr. NOLLET: Let us not labour this blasted nationalization too much. After all, we use the word "could".

Mr. MANDZIUK: You are giving us your remedies but we want the causes so that we can make recommendations to parliament. We owe a duty to the country.

Mr. NOLLET: Will you size it up? I do not know what the question was, but I was going to say something only for the fact that a lady entered.

Mr. MANDZIUK: I am interested in showing you the other side of the coin.

Mr. NOLLET: Everyone will present their case; this is natural, I am trying to present a case to this committee from the point of view of the farmer.

Mr. MANDZIUK: That is the point of view I am trying to present.

Mr. NOLLET: It is up to you fellows to get the facts and to discover what tint or colour we are. I think we are making a very substantial case, as you have said yourselves. You know there is one problem—agriculture is in a depressed state.

Mr. FORBES: The situation is improving though.

Mr. NOLLET: Yes, and I must agree with this.

Mr. MANDZIUK: He is the best farmer.

Mr. NOLLET: His view is also slightly coloured.

Mr. MANDZIUK: You should see his farm—it is as good as any of yours in Saskatchewan.

Mr. NOLLET: Here is the thing I think we need to keep in mind also. I do not maintain that we can solve the farm problem by squeezing out every legitimate profit made by the manufacturer. This is not going to save agriculture, it will take much more. But I do say this, that in terms of nationalization and better servicing of industry we should do something; maybe “tribunals” is an unfortunate word but we need some manner or means or an agency to follow up your work. This agency would see to it that your recommendations are implemented. This has been the failure of the past committees, has it not? We can document the conclusions that were reached in 1937. You will be reaching almost similar conclusions, but in 1937 there was no follow-up to them. We are in the same mess again, only a bit worse. I hope there will be some follow-up so that we can nationalize the agricultural industry which will serve agriculture as it ought to in terms of the cheapest possible machines and in terms of service. We have talked a lot about this production, there are a lot more fields in which we will find common agreement, for instance in the field of distribution and this thing of casting machinery and maybe reducing the rapidity of model changes which are taking place. This is a big field where we can do a great deal of good to help the agricultural industry, but it will not solve the basic problem of agriculture, or at least I am not proposing that this will solve the basic problem.

Mr. KNOWLES: Mr. Chairman, I hesitate to prolong this argument and this discussion concerning nationalization and so on, but it would seem to me that we have oversimplified our close relationship with the United States, as was pointed out in the Massey-Ferguson brief. I know that everyone in this room is anxious to promote industry in Canada, and it is our ultimate aim; but they pointed out that great progress has been made in America in mass production and the ability to sell it to the people. The United States has some 200 million people to sell to—or close to that figure. We in Canada have only 17 million. It is pretty hard for us to cut ourselves off from the U.S. and to sell only to our people.

As a follow-up to Mr. Mandziuk’s question, I was going to ask what is our relationship going to be with the United States when we import from them so many components for our tractors and we get them cheaper from them because of their greater population? They can make them cheaper because of their volume. It seems to me that to cure this problem in any of the methods you have mentioned, whether it is nationalization, cooperation, or whether there is going to be government control, that we have to be able to do something with the United States as well.

You mentioned some industries that sell in Saskatchewan; there would not be more than one of those which would be wholly Canadian. What is our relationship or what is the solution going to be with the Americans? If we are going to do that, it seems we are going to have to get over the border into the United States to carry out your program.

Mr. NOLLET: This is something for the committee to decide—you will have to make up your minds. For example, assuming that you did set up the farm implement business on a publicly-owned basis to serve agriculture, you will have to make up your minds whether you can produce farm implements in Canada cheaper than you can elsewhere. If this happens, you will be dependent on farm implements from the United States unless you expand your domestically-owned industry tremendously. I think that the Americans always have and always will be able to produce cheaper than we can because of their volume—they have a tremendous market. I think they could do that. I believe that if the Canadian manufacturer were able to bring down his prices, the Americans would meet that competition and meet it effectively without injury to themselves. They are doing it in other markets, and I think they could do it here.

Mr. KORCHINSKI: I think, Mr. Nollet, you will agree that if you build a better mouse trap the world will beat a path to your door. Your brief suggests what I referred to, and you have stated on several occasions that through cooperatives and through nationalization and so on you may find the answer. You are quite aware that we have a minister of cooperatives in Saskatchewan; we have cooperatives formed in every community in Saskatchewan; we have the C.C.I.L. Why has not the world beaten a path, why has not everybody purchased C.C.I.L.'s equipment?

Mr. NOLLET: The answer is obvious. For one thing, I believe that if this cooperative had been handing a full line of equipment they would have increased their sales. I think also it is a matter of putting the Cockshutt policy within the cooperative itself. If they were bold and went into expansion campaigns—as I say we have three prairie governments which would be prepared to lend them money to expand. We did it before when they were first organized. Perhaps policy has something to do with it.

The other thing that has been mentioned here is that they are in competition with the sales agencies of other companies, well established companies, from which people have bought machines over the years. It is pretty hard to break that habit. I know I have certain preferences in farm machinery and I would probably take two looks at a cooperative. I know it is just as good as the discer I used from another company; but still I am used to this one. I think that if the C.C.I.L. had gone into manufacture and put a good machine on the market they would have a lot of business. This is my personal opinion.

Mr. KORCHINSKI: My next question is this: since you profess that this is one of the answers to the problem, has the Saskatchewan government purchased all their equipment—and they have a lot of it—through cooperatives?

Mr. NOLLET: We have purchased a great deal of it in our own department where we needed farm machinery and for the development of certain projects.

Mr. KORCHINSKI: Have you also purchased through other machine companies?

Mr. NOLLET: Yes, we have, although we have favoured the cooperative. However, they do not make enough lines. We used some of their lighter tractors which they produced, their seeders and mowers.

Mr. KORCHINSKI: Have you purchased from John Deere for example?

Mr. NOLLET: From John Deere also.

Mr. MANDZIUK: Do you not make your purchases on a competitive tender basis, or do you just favour one group?

Mr. NOLLET: They are on a tender basis. There is a choice as to the particular make.

Mr. MANDZIUK: Then there is the combine.

Mr. DANFORTH: I would like to ask the witness a direct question. I do not believe that it needs a very complicated answer, although it deals with a very important principle. The question is this. With the facilities that you have at your disposal and the completeness with which you have made this investigation, can you tell this committee if in your investigation you ran into any evidence whatsoever that would lead you to assume there was any undertaking or understanding or an attempt on the part of the machine companies to establish a uniform price to the detriment of farmers? In other words, do you believe in any way either directly or indirectly there is a combine in existence?

Mr. NOLLET: I certainly could not make a statement that there is. I do not know.

Mr. DANFORTH: Did you uncover any evidence whatsoever in any form that would lead you to believe there might be one in existence?

Mr. WENAAS: When industry is dominated by a few firms, there is no necessity for a formal combine to be arranged. I think it is highly likely that there is no kind of formal agreement of the kind that you suggest. However, in my mind, that is not the important point. The important point is that in this particular industry, as is true of a lot of industries, there are only a few firms so that they are in a position to control prices by limiting production. That is unlike agriculture where an individual farmer has no effect on price. If he stops producing anything, or if he does not produce anything, it has no effect on price. In an industry of this kind—and it is quite well recognized by some of the commissions which we have cited—it is not necessary for a combine to exist in order to maintain prices because the maintenance of the price is at the production end.

Mr. DANFORTH: I will phrase my question another way. Do you believe then, that for implements of a comparative nature between companies the almost uniformity of price is due to competition or due to price policy between the companies.

Mr. WENAAS: I would say the latter. I think it would be the policy, the price policy of any individual company, not to be very much out of line with the price of a competing implement. However, the point is that all these prices can be maintained by action of the farm machinery companies in cutting back production, limiting it to the market that they expect to have. I am not saying this is an unreasonable sort of thing. This problem arises out of the very nature of the industry, that they can maintain their prices without any necessity for a formal combine.

Mr. DANFORTH: You say, then, that it is an assessment of the market capacity rather than by an agreement between companies, that the prices are maintained?

Mr. WENAAS: In my mind there would not be any necessity for a formal agreement among the companies. It is also quite clear that the companies may have a common assessment of the market. Certainly they are in contact with each other, and they are aware in that sense of what their thinking is. Therefore, I would expect that you could turn over every little stone and you would not find any evidence of a formal contact. This is just a personal opinion. We are not in a position to investigate the companies out in Saskatchewan because such companies as are in Canada are located in Ontario, their offices are here, and we would have no reason to know of a combine even if it did in fact exist.

Mr. DANFORTH: I would like to ask the witness if there is a definite advantage to a farmer to purchase machinery through a co-op; and, secondly, would it be possible to establish cooperatives that would deal not with the manufac-

ture, but simply with the distribution of machinery. Could they be made to work to the advantage of the farmer, by the fact that they would have such an increase in purchasing power and could make competitive bids and pay patronage dividends as Mr. Mandziuk suggested,—and in effect obtain a better price and put the farmer in a better bargaining position. And if such is the case, how would the used machinery part of the business be taken care of?

Mr. NOLLET: I would answer the question categorically, yes. The used part of the business could be taken care of just as it is at the present time by C.C.I.L.

I might make this observation in connection with second-hand machinery. One of the bad things of this whole field is the unrealistic trading values that are allowed. That puts the smaller dealer behind. He loses his commission in this transaction. I do not think that is sound. That is my own personal opinion in the administration of the act in the province. However, I think the farmers like it, but I do not think it is sound business. The C.C.I.L. permit trading allowances, but they are not as generous as some of the dealers have been.

Mr. DANFORTH: I am not too familiar with the operation of your co-ops in this machinery business. Would it be possible for a farmer in the business of purchasing a combine to go to the co-op to say he would give "X" dollars—over and above buying this machine from another authorized dealer in the area?

Mr. KYLE: I was going to make the observation that you might get very specific information in regard to the question by a quick look at the C.C.I.L.'s annual report. They set out very carefully their patronage dividend, their share capital and so on.

Mr. DANFORTH: It is either yes or no; it is to their advantage, or not to their advantage.

Mr. NOLLET: It is to their advantage.

Mr. DANFORTH: Could I save "X" dollars on the purchase of a combine by going to a co-op and joining, or doing whatever is necessary, over and above purchasing it by going to another dealer in the same district?

Mr. KYLE: I think the answer would be yes on the basis that you are saving; but the saving might not necessarily be in cash at the moment, it might be share capital in the co-op, or the patronage dividend at the end of the year's trading, whatever the by-laws provide.

Mr. DANFORTH: In effect I would have to pay "X" dollars, as I would in the case of the other machine; so in effect at the time of purchase there would be no saving?

Mr. KYLE: That is right.

Mr. MANDZIUK: This is a supplementary question. Would you have statistics to show by what percentage the prices of machinery—that is, of C.C.I.L. machinery—are below those of private industry. By what percentage is it lower than that, taking into consideration the patronage dividends or whatever you call them in the final analysis. Would it be 11 per cent? Would you say that, or what would it be?

Mr. WENAAS: We have no such statistics; I think it would be quite an involved calculation. I do not know whether even C.C.I.L. could tell you.

Mr. MANDZIUK: The C.C.I.L. dealers are not free, or have not a free hand to permit this horse trading in relation to the price?

Mr. KYLE: I think it is very much so.

Mr. MANDZIUK: They do?

Mr. KYLE: Yes.

Mr. FORBES: On the same point, you were expounding the advantages of the co-op method. Let me quote from the C.C.I.L. presentation, on what happens in the case of machines in the United States. I will read one paragraph:

The United States machine manufacturing cooperative was allowed to go into bankruptcy in 1952 with a loss to the shareholders of over \$3 million.

I think that is all I need to say. The rest of you know the story. Several co-ops were set up in the United States, purchasing machinery from Cockshutt at a greater discount than C.C.I.L., but they all went broke in the business. That is one of the reasons why C.C.I.L. have not expanded here to the extent some of us hoped. Yet, they have almost all the same kind of machinery as manufactured by others, plus discs and so on manufactured by themselves.

Mr. SLOGAN: Mr. Chairman, I am still on this subject. I think I am in line there somewhere, and I have been for the last half hour. I think there has been a certain amount of buck-passing by the farm organizations and by the provincial government. The C.C.I.L. has only covered 2.7 per cent of the market in western Canada, yet a similar co-operative in the province of Quebec has covered 30 per cent of the market there. You have said that your government is in favour of co-operative enterprise, and the farm union members also stated that they were. I think there is a lot in the policy of the C.C.I.L. which has made them a lot less popular over the last few years I think we can conclude that it is not a successful organization at the present time. But before we start to nationalize the manufacture of farm machinery, do you not think that if the provincial governments and the farm organizations would get hold of the C.C.I.L. and sit down with them they could draw up an incentive policy which would help them to capture the same proportion of their market as has been done by a similar co-operative in the province of Quebec? Do you not think we have been moaning and groaning too much?

Mr. NOLLET: I think you are dead right, and I hope when you get through with the committee here you will favour looking at this carefully with the idea of getting the provinces together with the co-ops to look at the whole picture and see what we can do in this field. I, personally, do not think we are doing enough. It may be that some of our techniques are wrong in Saskatchewan, but I think it should be done.

Mr. SLOGAN: Would you not agree that the basic policy of the C.C.I.L. is fundamentally wrong, because the farmer is going to buy where he can get the lower price? In the province of Quebec they are selling at a lower price, and that provides the main incentive. So I think if we could rub out some of these idealistic concepts, we might have an organization which would make it successful, if we wanted it. I think we should stop passing the buck, and get down to work on it.

Mr. NOLLET: It is a principle of co-operatives never to start a price war, because the big boys can beat them out. Maybe this is a method which should be adopted.

Mr. HORNER (*Jasper-Edson*): Would you agree that a further equalization of freight rates would help the farm machinery industry in western Canada?

Mr. NOLLET: I would think so.

Mr. HORNER (*Jasper-Edson*): Would you feel that the people in Saskatchewan—and I am from Alberta myself—are willing and ready to accept equalization of their materials which they are selling to other parts of Canada? I have in mind such things as fertilizer, oil and gas production, and the by-products therefrom. Are you in western Canada ready to accept equalization of transportation costs on those products?

Mr. NOLLET: I think we ought to be, if we ever want to find a solution to the transportation problem.

Mr. HORNER (*Jasper-Edson*): What is your position in regard to the possibility of machinery companies arranging for agreed charges for the movement of machinery to western Canada on the railway? The machine companies, when they were before us, said they were not able to arrange for agreed charges because there was no competitive method of transportation with the railways. I do not agree with that statement, because I think there is competitive transportation. Maybe this is something which should be looked into further, but I would like to have your opinion.

Mr. NOLLET: I agree with you, that it certainly should be looked into further.

Mr. HORNER (*Jasper-Edson*): What about the position of the province of Saskatchewan with respect to agreed charges generally? Are they going to accept them?

Mr. NOLLET: I would not want to give an opinion on that because I really have not gone into it too much.

Mr. HORNER (*Jasper-Edson*): Thank you.

The CHAIRMAN: Gentlemen, the time has passed 4:30 and I had hoped that the committee might endeavour to finish by six o'clock. I suggest that we incorporate the last five sections and ask our questions on all those sections combined. Would that be agreeable to the committee?

Mr. HORNER (*Acadia*): I do not see how that would speed up their brief.

The CHAIRMAN: Many of the questions that have been asked in the last half hour should have been asked on some of the other items.

Mr. HORNER (*Acadia*): No. I think the transportation question was the first one asked outside of section two. That is my opinion.

The CHAIRMAN: It is up to the committee as to what you wish to do. I would like to have your opinion. Is it your wish that we incorporate the remaining five sections and ask questions on them all at one time?

Mr. HORNER (*Acadia*): It would just spoil your report, and I do not see how it would speed up your work.

The CHAIRMAN: Very well. We shall carry on with number two, then.

Mr. HORNER (*Acadia*): First of all, on page 32, you deal, sir, with the question of nationalization. That has been buffeted around here quite a bit. And you go on to say that you would set up a national agency to manufacture and distribute farm machinery in Canada. You say that such an agency could either establish its own system of distribution or provide for the development and expansion of farmer-owned co-operatives for that purpose and perhaps also employ in some instances the private distribution agencies. This is the part I want to question you on. I am a member of two different farm co-operatives in Alberta, and I always have thought that the co-operative had a special place in a farm locality in particular. But there is a lot of talk these days to the effect that co-operatives cannot make a go of it, unless they have a monopoly. You would not agree with that, would you?

Mr. NOLLET: No.

Mr. HORNER (*Acadia*): Then why do you suggest we set up a sole marketing agency and give it to a farm co-operative?

Mr. NOLLET: In the event that there is a national agency set up, the suggestion would be first that a co-operative distribution organization might complement it, in such an event.

Mr. HORNER (*Acadia*): You also stated that if the C.C.I.L.—and that is the co-operative I am referring to at the moment—wished to buy out Cockshutt,

that the Saskatchewan government would be willing to loan it the money, or to stand behind it.

Mr. NOLLET: We are not advocating it in terms of buying out a company, but in expanding their organization.

Mr. HORNER (*Acadia*): Mr. Mandziuk used Cockshutts and you agreed. You used the phrase that this was a possibility which at one time was considered. But would that not put the C.C.I.L. in a competitive position with the other nine distributing firms that you have in Saskatchewan? It would not need any more than this to survive, would it? I certainly hope not.

Mr. NOLLET: No. This is an agency, and if a national agency is set up to manufacture and distribute farm machinery, this would be one agency, only, and there would be other major companies in the field. It is suggested here that the machinery of distribution could be worked by a co-operative method, and to that extent it certainly would be a monopoly.

Mr. HORNER (*Acadia*): Actually a farm co-operative does not need a monopoly in order to survive.

Mr. NOLLET: No. I think the co-operative movement generally hopes that they will co-operate with the rest of the economy so that it will all be a co-operative some day. But that is probably just a pipe dream.

Mr. HORNER (*Acadia*): Surely rather than nationalize industry, surely if you permit the co-operative idea to lower machinery costs, actually the C.C.I.L. was born in the 1937 report. Many people refer to it as such. Would it not be a form of co-operative in a very competitive position if it was in the manufacturing industry, and your government should lend it enough to buy out a manufacturing industry?

Mr. NOLLET: Yes, I would agree.

Mr. HORNER (*Acadia*): I have other questions on section two, but if somebody else wishes to ask questions, I will defer them.

The CHAIRMAN: Mr. Pascoe, do you have a question on section two?

Mr. PASCOE: No. I must apologize for having to be in the house for a while, when I missed some of the proceedings. Probably some of the questions I would have asked have already been asked. But I shall ask one general question in any event. How was this brief prepared? Was it prepared with the help of a lot of farmers? Does it reflect the views of the farmers, would you say?

Mr. NOLLET: I would think so. It is based pretty much on the information that came out of the previous investigation at which time submissions were made by the farm organizations. This matter has been discussed with the farm organizations. In fact I think we have given some help to some of the farm organizations in the preparation of their briefs. I think it would pretty well reflect it, but not all together. We are presenting this as a government brief.

Mr. KORCHINSKI: On page 23 you state that a special committee on farm implements of the Saskatchewan legislature found that evidence submitted to the committee indicated that the manufacturing companies have made very high profits in the past few years. You will agree, of course, that you cannot carry on without making a profit.

Mr. NOLLET: Yes. It depends on what you call a profit. What we are saying is that they were high in that period of time. This was the opinion of the official select committee of the Saskatchewan legislature in 1952 and it is still our opinion. With sales going down the margin of profit in the past few years has not been so great. The same thing happened in the thirties. There was a good period up to the thirties and then it went down.

Mr. KORCHINSKI: What would you say would be a fair profit?

Mr. NOLLET: The question was asked earlier. Someone asked if five per cent was pretty good and I said I think it is pretty good.

Mr. HORNER (*Acadia*): The question was, is five per cent a minimum, and you said yes.

Mr. KORCHINSKI: If Massey-Ferguson made three per cent it would not be a good profit?

Mr. NOLLET: It would probably keep them in business.

Mr. HORNER (*Acadia*): In the pages leading up to page 32, and before page 31, you suggest that maybe nationalization would cut down machinery costs. I think you perhaps have in mind particularly distribution. Or are you thinking of manufacturing?

Mr. NOLLET: Both.

Mr. HORNER (*Acadia*): Actually in the figures presented to you by the international company—and always keeping in mind the 1937 report and the Massey-Ferguson annual statement—it was evident that the cost of goods was about eighty per cent of the recovery from sales. This was evident in the Massey-Ferguson annual report. They say that the cost of goods was \$390 million and their total sales were \$490 million. It looks like seventy-nine or eighty per cent was the cost of the goods. International Harvester suggests, in the making of a windrower in 1960 the cost of material amounted to sixty per cent and the cost of labour amounted to 41.4 per cent. Then they go on to list factory overhead, fuel, engineering, depreciation and so on at eighty per cent. Do you think that nationalization would cut down particularly on this?

Mr. WENAAS: In regard to that I would say that perhaps we have not explained quite satisfactorily enough what we believe. We are not really thinking of nationalization of the industry just in order to cut out the profits and say that that will mean a great deal of reduction in farm machinery prices. What this is being looked at as is a method of rationalizing production.

Mr. HORNER (*Acadia*): By rationalization do you mean standardization?

Mr. WENAAS: Standardizing.

Mr. HORNER (*Acadia*): In other words you would only make one model. Instead of making nine 5-plow tractors you would make one.

Mr. WENAAS: It might be one or two; but in any event it is this type of rationalization. I notice in the Massey-Ferguson statement before this committee they indicated they could reduce the cost of manufacturing certain items if they had longer runs. I think this substantiates our contention that if you had production more efficiently organized you might not reduce the percentage that anyone of these components might have of the total cost of manufacturing, but you might reduce the total. We are not in a position to say just what this might mean. It seems to us that this type of rationalization of production will reduce the cost of production. However, we have no figures that would indicate whether it is five per cent or ten per cent. As a matter of fact I understand when Massey-Ferguson was before you they did not have any figures with them even as the total cost of manufacturing certain items. So, this is a subject for examination. We believe it is a sound principle that if you rationalize production you are going to reduce the cost of manufacture.

Mr. HORNER (*Acadia*): In a sense you are basing that on the one fact that volume is not high enough and that you would increase the volume of the 5-plow tractor instead of mixing it up with four different tractors.

Mr. WENAAS: Yes.

Mr. HORNER (*Acadia*): With regard to distribution you also said you thought there were two areas in which nationalization would cut down. In distribution you believe there could be substantial savings made. In their

annual report, Massey-Ferguson said their marketing expenses were \$46 million; this is out of total sales of \$490 million, which would be roughly less than ten per cent and really around nine per cent. To me it looks to be nine per cent. Leading from that and saying that distribution or marketing expenses are nine per cent and general administration expenses \$15 million which would be another three per cent, the point I am trying to make is you have a total of maybe twelve per cent. It is evident, by the C.C.I.L. brief that in the period from 1947 to 1954 they were able to return to the purchaser larger cash dividends because of their savings due to distribution mainly, but from 1954 on their returns to the producer were very small indeed; in fact I think it got down to where there were not any at all. In other words, in the last few years they were saving very little on distribution. Am I right?

Mr. NOLLET: I think so.

Mr. HORNER (*Acadia*): How could you save anything on distribution if C.C.I.L. could not without cutting down the service to the farmer, always bearing in mind service must be maintained.

Mr. NOLLET: I think it could be done, because at the present time there is a great deal of duplication. The fact that C.C.I.L. has not been able to make the same savings as formerly is they have had to fit into a pretty expensive system of distribution.

Mr. HORNER (*Acadia*): If it is expensive they should have been able to return larger dividends in the last few years.

Mr. NOLLET: It is expensive in terms of adequate service and the needs of the farmers. I rather question this 12 per cent. But, again, I do not know. This is a statement of the company. I would think that their distribution costs would be much higher.

Mr. HORNER (*Acadia*): I am using their statement to the shareholders, and I imagine that this is a chartered accountant's figure.

Mr. NOLLET: There have been quite a few charges passed on to the dealer which have been absorbed in his commission. As you know, the credit part of it was pretty well taken care of through the farm improvement loan scheme up until recently, and since then there seems to be a tendency to go to other lending agencies. However, these are factors. I do think that much better service than what we are getting now could be given at reduced cost.

Mr. HORNER (*Acadia*): I have one other question, which concerns section 2. I am referring to page 33. You suggest setting up this price tribunal for the purpose of setting the prices on farm machinery. Then, you go on to say:

To determine whether this price is justified by cost of manufacturer and if necessary, to rule that the price must be reduced.

I am wondering whether this would not have had some effect on the quality of the product. In other words, I might put in sealed bearings in the manufacturing of my combine and, as this price tribunal tends to get away from the farmer—perhaps I should not say that, but that it tends to get away from the land—they do not know just exactly what this improvement is worth to the farmer, or what it costs. I think this would have a tendency to limit quality improvements. Do you see any possibility of this happening?

Mr. NOLLET: As you will note, we recommend the establishment of an advisory technical body, possibly attached to the proposed federal farm machinery prices tribunal.

Mr. HORNER (*Acadia*): I am dealing with the first paragraph. First, you recommend the establishment of a federal farm machinery prices tribunal with authority.

Mr. KYLE: If I might interject, this second paragraph provides for an addition of an advisory technical body, in anticipation of the problem you brought forward. This arm would see that that sort of thing was covered.

Mr. HORNER (*Acadia*): In other words, you did envisage that if a mandatory price tribunal was set up, it might have some effect over the years on the improvement of quality?

Mr. KYLE: Yes, and to safeguard that possibility which you mentioned this arm should be here.

Mr. HORNER (*Acadia*): You actually have the two recommendations; are you envisaging the two working together?

Mr. KYLE: Yes.

Mr. HORNER (*Acadia*): Oh, I see. Well, then, this would be enlarging the civil service to quite an extent, in order to guard this.

Mr. NOLLET: All we are doing is imposing price controls on the farm machinery industry.

Mr. ROGERS: To carry that further, this entails standardization of models, does it not?

Mr. NOLLET: No.

Mr. ROGERS: How are you going to do that in our position here? Are you going to do it in Canada alone, or in the United States as well? Are you going to put controls on imports to make sure that they bring out a standardized model?

Mr. NOLLET: I think if you set up a testing agency, that an imported standardized model will sell in competition to anything else.

Mr. HORNER (*Acadia*): Would you just set up this tribunal for Canadian manufactured goods, or would you set it up for American, Great Britain, Germany, and so forth?

Mr. NOLLET: We would not have any control over the costs in relation to people outside of Canada, but we could give them direction in terms of rationalization and so forth. The very fact that you have suggested a board in Canada would have a salutary effect. I think the manufacturer outside of Canada would meet our requirements.

Mr. HORNER (*Acadia*): Not unless we forced him.

Mr. MANDZIUK: He would have to meet our competition.

The CHAIRMAN: Gentlemen, I am informed that there is a possibility of a vote taking place shortly after five o'clock, which would automatically adjourn the committee. It will be impossible to meet again on this brief until—

Mr. MANDZIUK: Are we going to keep these gentlemen over?

Mr. HORNER (*Acadia*): Mr. Chairman, we are only at page 34 and there are 67 pages in the brief.

The CHAIRMAN: As you know, we have asked John Deere to appear on Monday.

Mr. HORNER (*Acadia*): What about tomorrow morning? We could meet at 9.30, before the house sits, and wind it up then.

The CHAIRMAN: It is up to the committee. Does the committee wish to meet tomorrow morning?

Mr. NOLLET: We have our reservations made for tomorrow.

The CHAIRMAN: Have you them made for tomorrow afternoon?

Mr. NOLLET: No, we are scheduled to leave at 6.30 in the morning.

Mr. MANDZIUK: I have a few questions to ask.

The CHAIRMAN: I was just thinking, with the time we have left, if we kept our questions and answers brief, we possibly could make much better progress?

Mr. NOLLET: If I may say so, Mr. Chairman, we have kicked this subject around quite a bit now. Could we move on to A.M.A.—agricultural machinery administration and testing. I think the formation under this subject would be very helpful, and this is a field of activity that we could do something with, here.

The CHAIRMAN: It seems to me that section 4, distribution costs of farm machinery, has been pretty well exhausted. Several questions have been asked in this connection.

Mr. ROGERS: Mr. Chairman, I would like to follow along on the line of questioning I was on because I am interested in standardization, but I do not know how it can be brought about. I know that every time they make a new model, it costs money for tooling. I think we could save a great deal, but I don't know how you are going to put it into effect. That is what I would like to know.

Mr. MANDZIUK: What section are we taking now, Mr. Chairman?

The CHAIRMAN: We are still on section 2.

Mr. NOLLET: Standardization.

Mr. KYLE: The American society of agricultural engineers has probably made a very significant contribution in this area to date, by arriving at some common ground in terms of standardization, and the manufacturers have adopted these standardizations. Probably this is the sort of area that might be continued for other items of standardization and manufacturers would agree, no doubt, after proper consultation. I would suggest that this might be a course of action that could be followed.

Mr. ROGERS: I agree. I think this is the area where we could do a lot of good, but I do not know how it could be put into effect. That is my worry.

Mr. MANDZIUK: There is a good argument in favour of it.

Mr. ROGERS: Certainly.

Mr. MANDZIUK: If nine different firms make nine different models, that is a total of 81. I am not saying that there are that many on the market, but that is what I mean.

Mr. NOLLET: There is one thing that sticks out clearly, and it is this: The fact is that it will never be done by the companies themselves, by virtue of their setup and the competition between them. Some agency will have to step in and give direction to them. If you would like any information in this regard, we will be glad to supply it to you.

Mr. ROGERS: Mr. Chairman, I think we should go one step further. Do not forget that machinery company officials will have read these reports. They will know what has been discussed, and will be alert to them, even if we do not follow it through. However, I hope we do.

Mr. WENAAS: Another point that might be worthy of study is in terms of standardization of equipment with one particular company, which might be more easily met by a manufacturer than between several manufacturers. I am thinking of items like the header board components of swathers and combines, and so on.

Mr. FANE: And mowers.

Mr. NOLLET: Yes, sprockets, and so forth.

The CHAIRMAN: Is it agreeable that we go on to section 5—public testing services for farm machinery?

Mr. HORNER (*Acadia*): I have one question on distribution costs. This is not in connection with the regular brief, but with the briefer brief. I should like to know what you mean by this sentence at the end of the third paragraph on page seven:

We recommend that one of the matters that should be studied is the present dealer appointment policy.
Could you elaborate on that to some extent?

Mr. NOLLET: Mr. Kyle is in charge of that.

Mr. KYLE: In our opinion this is an area which has given rise to considerable difficulty on the part of farm implement dealers, because of the policies of some manufacturers in continuing to appoint dealer outlets in very close proximity to existing dealers, thereby putting them in such a highly competitive position that they are unable, financially, to provide the type of service that farm people are demanding of them.

If it were possible to convince manufacturers that in appointing new dealers some consideration should be given to the possibility of whether or not they are going to be able to make a financial gain, in relation to other competitive dealers selling the same line of goods, probably in the end this might be beneficial to the dealers themselves, and they would be in a position to provide better service to farm people. That is simply all that is involved.

Mr. HORNER (*Acadia*): I have a supplementary question, or maybe two. The first one which comes to my mind is that the Saskatchewan government has some sort of organization which has some jurisdiction over dealers. Am I right?

Mr. NOLLET: Yes.

Mr. HORNER (*Acadia*): And would that organization ask a dealer in any place to close up? Does a dealer have to have certain qualifications before he can open his door to handling machinery?

Mr. NOLLET: The answer to the question would be "yes", but it is dealt with on a company basis. When you say "open his door" I presume you mean a new appointment, and this is the area upon which we are working.

Mr. HORNER (*Acadia*): I am thinking of existing appointments. My constituency runs up 200 miles of the Saskatchewan border and therefore I get stories across the line. I have heard a story that this organization which we are discussing can ask dealers to close up their shops in one town and move to another town.

Mr. NOLLET: No.

Mr. MANDZIUK: But you could do so by refusing them a licence.

Mr. NOLLET: We have pointed out the idea that by licensing dealers and setting standards of service we might be able to solve the problem. Although we are very limited in this regard, as Mr. Kyle has said, we have carried on extensions with dealers, giving them a set of books and inventory methods and that sort of thing. However, the stickler in this program of ours is that the little dealer in a small centre is unable to compete with a larger dealer, with the result that he has tried to compete by forfeiting most of his commission and, when he does that, he is not able to meet all the requirements set out under the act for his dealer establishment.

Mr. HORNER (*Acadia*): Just to follow up on that and to understand that I interpret your remarks rightly, you mean he gives the farmer a good deal in whatever line of machinery he is carrying?

Mr. NOLLET: A better deal than he could afford, with the result that he does not have the money to put into repair parts in order to give the service which is expected of him. I do not want to assume the responsibility under

the act and say: "Chum, close your door". Such a dealer may be giving a retail service and taking orders.

I believe we have placed the onus of responsibility in the wrong place. We should have placed this onus of responsibility on the companies and told them: "Let us rationalize your whole distribution setup." In fact, we had the companies in and we suggested 60 repair depots. Maybe we were too ambitious, trying to get too many, but we do try to set up repair centres so that such a service would be within 50 miles of any farmer wanting it. If that were done we would not be worried about the balance of the dealers. They could be order takers.

All we are interested in is giving the farmers as good a service as possible. This distribution angle will not come under your jurisdiction. It is a provincial matter, but we have suggested that after you have completed your present examination you should call together representatives of all the provinces, representatives of the farm organizations and of the manufacturers and dealers, particularly the dealers because they have a very important stake in this and could make a very valuable contribution. At such a conference we could then see if we could work out a rationalized distribution system that would give the farmers the best possible service at the lowest possible cost.

The reason I suggest this is because if all the provinces went into it together there would be no discrimination against anyone if we could agree on a uniform basis. Our experience in Saskatchewan of putting the onus of responsibility on the dealer has not brought the results we anticipated it would, but I believe the suggestion we make now could be beneficial.

Mr. KORCHINSKI: Have you increased your licence fees during the last few years?

Mr. NOLLET: No, we have reduced them.

Mr. KORCHINSKI: I am talking about licences for dealers.

Mr. NOLLET: We put them up once and we reduced them again.

Mr. KORCHINSKI: I understand they were \$5 and they are now \$25.

Mr. NOLLET: No, they are \$10. However, I should point out that as soon as we started licensing dealers they seemed to look upon this as a franchise. The implement dealers reasoned that they would like to have a franchise almost for an exclusive area but are we, as governments prepared to do that? Are we prepared to give a complete area to one individual? Probably we could justifiably do so if it were the case of an original agency which would be responsible for all repair services in an entire area, and which would be representing a number of companies. This is the boy who could get substantial commissions in order to make it possible for him to fulfil that obligation, and the balance of the smaller agents might be looked upon as small commission people, with no responsibility for repair parts or service. This may be the pattern for the future and it could be a real improvement on the hodge podge we have now.

Mr. HORNER (*Acadia*): The federation of dealers associations appeared before this committee and submitted figures on this question. One of the charts they submitted listed Saskatchewan. I wonder do you agree with it, that the ratio between each dealer there is 24.3 miles. In other words that is the trading area.

Mr. KYLE: We do not agree with this.

Mr. HORNER (*Acadia*): The federation also gave the number of competing dealers, the average number of competing dealers in trading areas, and they listed the provinces of Canada as follows: the Maritimes, 2.5; Quebec 3.9; Ontario 7.6; Manitoba 5.6; Saskatchewan 6.9; Alberta 6.3 and British Columbia 0.1.

In other words you have the largest trading areas in Saskatchewan and the greatest number of different dealers, 6.9, and competition among dealers would be as hot as in any other part of Canada. This would tend to make one think that the Saskatchewan farmers are getting as good a deal under the present distribution system as other farmers in other parts of Canada.

Mr. KYLE: Certainly, on the initial sale.

Mr. NOLLET: The distribution area would be bigger because our rural population is not as dense and our productivity is smaller than in some other prairie provinces. On the other hand, if you cross to the United States, the dealers service a much larger farm area. This process of the little fellow being liquidated over a period of time has accelerated across the border and most of them over there are substantial dealers.

Mr. PASCOE: Mr. Chairman, before we pass on to another matter, on page 29 of section 2 of the main brief you say:

In Saskatchewan today there are nine major manufacturers of farm machinery offering complete lines of equipment although three companies make up by far the largest sales.

It would appear that this brief is arguing for fewer dealerships further removed. How would the manufacturers react to this and what would the effect be on the economy of a small town to have some of the dealerships removed?

Mr. NOLLET: We recognize this trend, that there is a movement to larger trading centres in the province, and we were thinking, for the main servicing and repairs and overhaul that we ought to take it in terms of regions. If an implement dealer had this responsibility he would of necessity need greater commissions or other compensation, then you could have the other smaller dealer who probably would not get the small commission because his work does not involve the same responsibility, he would be more or less on a sales commission. Assuming we had regional repair depots he could take orders, or else the farmers may wish to go direct if he is only 50 miles away from a place from which he can get service. These are trends and we are thinking of making readjustments without hurting people.

Mr. PASCOE: Perhaps this question has been asked before, but are you trying to suggest then that the dealerships handle more than one line?

Mr. NOLLET: Yes, I would think so very definitely.

The CHAIRMAN: Section 5, public testing services for farm machinery. Any questions on that?

Mr. KORCHINSKI: I have a question on that. The Saskatchewan government does testing. Have they made any specific recommendations to machine companies to standardize certain lines of machines and certain parts?

Mr. KYLE: I believe this question came up previously, sir, and the answer is no. No specific and general recommendations have been made to the manufacturers in regard to standardization, but occasionally in the recommendations to the manufacturers in the public test reports there would be a recommendation that would have reference to this area.

Mr. KORCHINSKI: Could you perhaps explain the following: you find that perhaps there is a certain part that is weak and does not stand up to the strain, how do you go about inducing the company to make the changes so that they accept these tests and make the changes themselves after testing them?

Mr. KYLE: This might be a good point to clarify, a point I believe which was made to the committee during the presentation of the Massey-Ferguson report, that the testing program in Saskatchewan was other than a voluntary testing program. I think we should make it clear that it is a voluntary testing program and therefore there is just no way to do exactly what you have said.

The procedure that is followed is to indicate in the public test report a recommendation to the manufacturers to make a particular change, if it appears reasonable to make such a recommendation. That in itself is the only incentive for the manufacturer to do so.

Mr. KORCHINSKI: Is there not a duplication of testing here? For example, Massey-Ferguson told us that they spent all kinds of money on testing their own equipment, and here we are testing the same kind of equipment and perhaps we do not do anything after having found that there was a weakness in the machinery; we merely make a report and nobody looks at it. What good is such testing? I cannot seem to be convinced. There must be some value in it, but I am not wholly convinced from what you say that anything is done about it.

Mr. KYLE: The very fact that this report is published is really quite an incentive for the manufacturer to make adjustments or changes. It might be more specific to say to the manufacturer: you must do this. But at the present time it is a voluntary approach and this is the way it must be done.

I might add one other point. Our very short experience in this area has indicated, and the requests from farm people would also indicate, that there are really quite a number of farm people reading the reports.

Mr. KORCHINSKI: What method of distribution of this report do you have, how much circulation is there?

Mr. KYLE: The total circulation at the moment in Saskatchewan is just over 9,000. Just over 8,000 of those have come about as the result of written requests from farmers to get the reports. They are sent out to them on a mailing basis. In the province of Alberta, which province has supplied and is supplying an operating grant to our province for assistance in this testing program, the distribution is over 500 at the moment, but the Alberta department of agriculture have them available to agricultural representative offices and other places as well. In the province of Manitoba I believe the figure is something around 150, and it is going directly to the farmers.

Mr. KORCHINSKI: I have never seen one of these reports; how do I go about getting one of these reports?

Mr. KYLE: I thought we had sent out a group for each member of the committee, but it is very easy to obtain them.

Mr. KORCHINSKI: I should clarify this. I meant I had not seen them up to this point.

Mr. KYLE: Your question is, how would you obtain one at home if you wanted one? Just simply by writing to our department of agriculture and ask to have your name put on the mailing list. This is how it would be done.

Mr. KORCHINSKI: Would you recommend that this type of service be expanded, and while you are expanding it that some of the machine companies should do this testing also? Would that be your recommendation?

Mr. KYLE: We are recommending that the testing program be expanded. When you add to the question that the machine companies do this also, I think we are really talking about two different things. The point, I believe, which might be significant to make, is that notwithstanding work that the machine companies do in terms of research or field testing, this information is not available to the farm people in a public and unbiased test report. That is the point.

Mr. SOUTHAM: I am very interested in this public testing service. I note that on page 48 you say that 21 countries outside the Soviet bloc are now using testing services and that England has been using them for almost 18 years. You state that the Swedish government agricultural machinery testing institute was first established in 1897 and has grown progressively since that date.

Would you suggest, from the benefit of the experience you have had in Saskatchewan, we should develop federally a testing institute so that every farm machinery organization selling farm machinery in Canada would submit all their machines to us and get a test certificate? My personal view is that that would be the ideal way to do it.

Mr. KYLE: I can answer that by making the observation that the Swedish station or Swedish institute referred to here is also a voluntary organization, and on this basis most, if not all farm machines, as they tell us, are tested. To be specific, and to answer the question specifically, our recommendation is that this is in effect what should be done. We recommend two such units, one for western Canada and another for eastern Canada, jointly financed by the provinces and Canada.

This thought was predicated on the idea that there are many significant differences between machines used in eastern Canada and those used in western Canada. That is the reason for the two units.

Mr. SOUTHAM: I agree with that, and I think there is such a diversity of problems that we would need the two centres. I myself think this would be a logical conclusion and that a recommendation should be brought in by this committee to that effect. It would be something which would do some good.

Mr. KYLE: We would like to have it considered favourably.

Mr. HORNER (*Jasper-Edson*): Do these people use these reports? Do Massey-Ferguson come to you and say: "Could we have 10,000 of those?"

Mr. KYLE: My answer can be quite specific. We anticipated the possibility of this sort of thing happening and the act, when passed through, was made broad enough to cover it. I can leave with the committee the regulation which specifically outlines that the manufacturer could use these test reports in three different ways only. They can publish the test report completely in their advertising literature, just exactly the way it was written, from front to back. Or they can state that such a machine was tested. Or they can use excerpts from it, provided the excerpts is cleared through the department office to make sure it is kept in context. Further, the fourth point here would be that there is also a regulation that makes it a felony to use this report on the basis of approval or recommendation of their machines.

Mr. HORNER (*Jasper-Edson*): Have they used any of them so far?

Mr. KYLE: Yes, they have. At least one of the major manufacturers has purchased some copies of reports from us. We certainly do not provide them free. They have purchased some complete reports from us and distributed them through their dealer organizations, presumably for use in a selling way.

Mr. KORCHINSKI: Are these tests conducted with a view to ascertaining the machine's capacity or capability, or is it with a view to recommending specific changes for our conditions?

Mr. KYLE: The answer is that it applies to both cases. Both functional and structural analyses are made of the machine. Basically the purpose is a similar purpose to the N.I.A.E. organization in England, which has been referred to, and many of these other testing organizations. That purpose is to provide performance information on this machine, as to how well and how adequately it does the job it was made to do, under the kind of conditions we are interested in in western Canada, in Saskatchewan. Along with that sort of evaluation, goes the structural evaluation. As a result, there is knowledge in terms of its structural characteristics, and the obvious conclusion, then, is a recommendation to the manufacturer, if such is considered realistic.

Mr. KORCHINSKI: Do you employ a staff of engineers to do this type of testing?

Mr. KYLE: Yes, we do, but it very limited.

Mr. COOPER: Do you think that this is a fair test? Do you not think that a test on the farm would be better? In a case of new machinery last summer, \$200 worth had to go in for a new job on that machinery, in complete rebuilding.

Mr. KYLE: The technique which A.M.A. uses is field testing. This is really the basis for it. These machines are worked for what is estimated to be about half of their normal lifetime, doing the actual operation right out on the farms throughout Saskatchewan.

Mr. COOPER: Then why are they calling them in for \$200 worth of repairs?

Mr. KYLE: This may not have been the machine that was tested.

Mr. PASCOE: A witness for a machine company at an earlier hearing said that his company bore the cost of testing their machines. This would have to be added to their overhead costs and their selling price. Could one of the witnesses indicate how these testing operations are financed?

Mr. KYLE: Yes, and I am very glad that point came up, as it might be worthy of consideration. The testing organization is financed wholly and completely by the government of Saskatchewan at the moment.

Mr. HORNER (*Acadia*): Did you not say that Alberta contributed also?

Mr. KYLE: Yes, I am sorry; this is the first year. Alberta has contributed this year.

Mr. MANDZIUK: You are in the driver's seat, though?

Mr. KYLE: It is financed by the Saskatchewan government and paid for by the Saskatchewan government with a contribution from Alberta this year. However, it is the company that submits a machine for testing. If the machine is on the market, that is, if farm people can buy it, there is no testing fee. We do not charge the manufacturer a testing fee.

Mr. PASCOE: But the manufacturer supplies the machine?

Mr. KYLE: Yes, the manufacturer supplies the machine. I think they do not supply the fuel, as is the case in Nebraska in the testing of tractors, where the standard type of fee would be in the order of \$1,200 or \$1,300 per tractor. There is no fee in the A.M.A. organization, provided the machine is on the market. They provide the machine; they maintain the machine during the time it is tested. In the case of any failures that occur, they replace the parts, and so on.

As a witness from Massey-Ferguson indicated, they also come up from time to time with their engineering staff and observe the testing and so on. I might add one point in clarifying this. In terms of dollars, it might be worthy of note that the company which made this observation to the committee has, up to and including 1960—not this year—provided something in the order of \$4,000 of retail value of farm equipment to be tested by A.M.A. What the deterioration or depreciation might be on this is open to conjecture.

Mr. HORNER (*Acadia*): In other words, they have not provided too many machines for testing?

Mr. KYLE: Four machines altogether.

Mr. NOLLET: They have not put up many?

Mr. KYLE: They have up to \$2,000 in terms of cost. It might be small, certainly, in terms of the percentage they manufacture.

Mr. FORBES: Do you give this machine to a farmer who carries out the work with it, or do you put a man on it to do the work?

Mr. KYLE: It is a kind of cross between both of these methods. There is a man in the field when this machine is put to work, but for a very high percentage of the hours of work, probably 80 to 90 per cent or even higher—

all the operation is carried out by the farm people and they are actually driving these machines right on their own farms.

Mr. FORBES: The farmer would pay for the fuel for the tractor?

Mr. KYLE: Yes, that is the arrangement we usually make. The farmer would pay for the fuel. He leaves in his own machine and uses this one instead—a swathing machine, or lifting machine, or whatever it is.

Mr. HORNER (*Jasper-Edson*): Would Mr. Kyle be kind enough to leave with our committee a copy of the Saskatchewan act and regulations, so that we might have them combined with the minutes of today's meeting? I think it might be helpful.

Mr. HORNER (*Acadia*): I have a question. According to a remark which you made earlier, am I right in assuming that some companies did not take advantage of this A.M.A. readily, or not to any great extent?

Mr. KYLE: I think that would be a fair statement, yes.

Mr. HORNER (*Acadia*): Did any of these companies? I am referring to the three large companies who were named here earlier, that is, John Deere, the International, and Massey-Ferguson?

Mr. KYLE: I must be entirely fair in answering this question.

Mr. NOLLET: We could not handle them all if they did come, and I think they are aware of it.

Mr. KYLE: There has been some reluctance in at least one of these major companies in submitting machines.

Mr. HORNER (*Acadia*): Could this reluctance stem out of the thought which occurred to me when the national farm union mentioned it, when they said at page 21 of their brief:

—its services are beginning to show promise of value in rendering an important service to farm people by providing them with basic information on various lines of farm equipment and guiding them in the proper choice of machinery for their own farming operations.

This is the thing I am asking about. Could it be—and I do not want to cast any reflections on the A.M.A.—but could it be so? We have seen here that the Saskatchewan government has a tendency or a favouritism towards C.C.I.L. machinery.

Mr. NOLLET: Oh no.

Mr. HORNER (*Acadia*): I thought you stated it, Mr. Kyle. I do not want to put the record wrong. But did you not state that you try to purchase where you have equal tenders, and that you always favour C.C.I.L. machines? Is that not on the record?

Mr. NOLLET: I want to make this very clear concerning the agency and the reason we set it up. It was set up under special legislation to give to the agency the same legislative protection that we have as members, for any statements that are made, and which we want to be objective. I refer to statements that would be made in these reports. We say all along that if a machine is to be reported upon, it must be done objectively, after having gone through the stresses and strains of testing. The report is made on that basis.

Mr. HORNER (*Acadia*): I am not quite clear, but this is the point I have been wondering about: if the Saskatchewan government is given a choice, and if the machines are all equal, you naturally choose one. You stated that this report was absolutely objective and independent. But do you not think that this might be the cause of some reluctance on the part of the machine companies to submit their machines to your testing?

Mr. KYLE: I do not think so.

Mr. HORNER (*Acadia*): My other thought is that cost is the main item.

Mr. KYLE: No, I do not think so, because we think in terms of the total amount of the investment they have made. My personal opinion is that any reluctance that has been shown has been very limited. It was reluctance on the part of the manufacturer to have a published report in the hands of farm people, stemming from some particular problem or area. That may or may not be your opinion, but it is mine.

Mr. HORNER (*Acadia*): I have no opinion about A.M.A. I know very little about it. I see in the case of one report that the A.M.A. tested a baler with 31,000 bales. If you should test any other baler, would you put it through the same number of bales rigidly in order to try to come up with a fair comparison? And in the case of a discer, if you had 100 acres, and you tested that discer on those 100 acres, would you try to test another discer under similar conditions?

Mr. NOLLET: Yes.

Mr. HORNER (*Acadia*): I know that when you had a double disc and a single disc, the double discs were not too good on heavy land, and they pulled up pretty bad in wet land and so on. Would you try to work these in?

Mr. KYLE: Yes. This is all set out specifically. We certainly cannot take any glory for a good deal of this area. These test techniques have pretty well all been worked out in general terms by other testing organizations like the United Kingdom organization. Certainly the general testing procedures seek very very carefully to do just what you suggest, that is to make sure there is nothing unfair about it.

Mr. NOLLET: The A.M.A. have this comparison machine by which they can compare all other machines.

Mr. FORBES: Did I understand you to say that you purchased some of these machines?

Mr. NOLLET: It is an A.M.A. machine. This is a completely independent agency.

Mr. HORNER (*Acadia*): With regard to any one year's operation, could you give us the number of machines A.M.A. would test and the cost to the Saskatchewan and Alberta governments.

Mr. KYLE: I must preface the answer by indicating to you that in the early years of the setting up of such a testing organization as this, I am sure you appreciate the need to acquire a number of sort of capital items. These you must sort out in terms of cost; but the average number of machines that we are presently able to test varies from about sixteen to twenty, with ten or twelve of these being in the major class and the remainder in what you might call the small machine class. The appropriation that is involved with the testing of this quantity of machines is approximately \$130,000 per year.

Mr. HORNER (*Acadia*): \$130,000 for ten machines of the major class?

Mr. KYLE: I said twelve.

Mr. HORNER (*Acadia*): In your brief you suggest there are nine agencies distributing machines. Does this mean you would take nine times twelve machines for testing?

Mr. KYLE: No. We do try to do series testing where we try to get all of the heavy duty cultivators that are on the market, for example, do a test and report on these in any one year, and so on in the different classes. Because of the early years and our organization it has been quite impossible to do this entirely, but we have made what we feel is some very significant progress in this regard. This is an objective of ours; that is, to try to do more and more series testing. A year ago we did a complete series on heavy duty

cultivators. We did these two balers, one of which you referred to. We are doing four more this year.

Mr. FORBES: Do you purchase new machines for testing?

Mr. HORNER (*Jasper-Edson*): You purchase standard ones.

Mr. KYLE: Yes.

Mr. HORNER (*Acadia*): You said you tested two balers and are going to take on four more this year. Would this be four more new models or four more of the same year's models?

Mr. KYLE: Some are the same year. Two I believe are the same year and two are new ones appearing this year for the first time. We are very careful to make sure we have them in the same class and that we are not testing a series with a group of machines as against a high capacity unit or something like this.

Mr. HORNER (*Acadia*): I have one further question on testing. You said that you did not charge a fee if the machine is on the market. I have before me an A.M.A. testing of a dual windrower swather. This is a piece of equipment which is mounted on the front of a tractor. I notice, in looking through it—and there is a picture of it on the back—the manufacturer stated that this machine is not for sale presently in Saskatchewan, but that it is for sale in the United States. In a case like that, would you charge him a fee?

Mr. KYLE: No. There is a little story that would go with this question. We allow manufacturers a very great latitude in terms of the manufacturer's comments here. We have them say just about what they would like to say. At the time this was tested it was on the market in Saskatchewan and, at the time the manufacturer's comments were received just prior to the printing of the report, they had withdrawn it from the Saskatchewan market and refunded to farmers the purchase price they paid for them.

Mr. HORNER (*Acadia*): Well, that is a very good company.

The CHAIRMAN: Are there any further questions on section 5?

Mr. SOUTHAM: Before we close our meeting, I would like to have, if it would be agreeable to the witnesses, a copy of the act authorizing the licensing of implement dealers in Saskatchewan incorporated in the record.

Mr. HORNER (*Jasper-Edson*): Is the A.M.A. the licensing authority for your dealers?

Mr. KYLE: No. It is divided into two parts; one section administers the act, and then there is the testing organization which is set apart.

Mr. SOUTHAM: Have you a separate act for your licensing?

Mr. KYLE: No, it is the same act.

Mr. SOUTHAM: Were there two separate acts?

Mr. KYLE: The only difference was that when we set up the testing, we took it out of the government department, because it was not getting the attention it should have, and we set up an independent board which administers the enforcement of the act and supervises the testing.

Mr. SOUTHAM: Does this include the dealerships to which we were referring?

Mr. KYLE: Yes.

The CHAIRMAN: Gentlemen, section 6, credit for farm machinery, follows.

Mr. HORNER (*Acadia*): I have a question on that.

Mr. PETERS: Before you leave the last section, does the witness think that this has been sufficiently successful that it would be worthwhile to make a recommendation that it be extended into the federal jurisdiction? Do you feel that this type of testing should be carried on in a larger scale, and that

the other facilities that come under the A.M.A. also should be extended into the federal jurisdiction.

Mr. NOLLET: The testing, yes, but the administration of the act is within provincial jurisdiction. I would say yes.

I think Mr. Kyle has been very modest in his replies to questions. This is one activity that has proved eminently successful and has been well received by the farmers. The benefits of it have been assured. Now, mind you, we are not doing the amount of testing we ought to be doing. We would have had more if we had had a better budget for it. We are merely starting, and the results to date show up very strongly. I would recommend that the committee very carefully consider the establishment of testing organizations. Probably three would be what would be required. We suggested two, but, perhaps, you need one in the maritimes. It would provide an invaluable service and would lead to a good deal of this interchangeability of repair parts, standardization and so on.

Mr. PETERS: Would it be advantageous to have this under our experimental farms which we have now?

Mr. NOLLET: This was a recommendation that arose out of previous inquiries in our province. However, when it was a university doing it, you did not get this kind of objective testing which we are doing. You would say to a university professor: "What do you think of this engine? It does not seem to be any damned good." He would say: "I know it, but I cannot say it." This was the rub. I had quite a time to sell the idea of an independent agency, and one which would be completely objective, highly technical and accurate while, at the same time, giving them some immunity against lawsuits for what they said.

What they said, we wanted to make sure, would be actual facts. This is the kind of organization we attempted to set up, and to date we have been successful. You have got to have highly qualified people, skilled in their own fields, and you must have the right equipment. We have put in quite a bit of money on equipment, and if any members of the committee happen to be in Regina I should like it if they would run out to our testing station and see the very delicate testing equipment there. The personnel working in it can give you the drawbar horsepower by pasting a little doodad on the drawbar, and to extreme accuracy they can do this.

There is also a special division to record stresses and strains and the figures must be very accurate. We insist upon this, and while the machines are working under actual field conditions, to compress the time which is available for testing them we have an obstacle course over which the machines are run. They really bounce them about and place about five times the amount of stress and strain on them that they would normally get in field work. As I say, I hope you will come and look at this station because this is one field where, I think, we are rendering a real service to the agricultural community.

Mr. PETERS: This is one field of questioning which does not make the Tory members mad.

The CHAIRMAN: Mr. Mandziuk on section 6.

Mr. MANDZIUK: I am looking at the brief summary which Mr. Nollet gave.

Mr. NOLLET: It is just about the same.

Mr. MANDZIUK: You say:

We urge the retention of the Farm Improvement Loans Act on a permanent basis, together with some improvements that will increase the beneficial effect of the operations of this act. We would particularly urge the elimination of the present discrimination against cooperative farms.

What cooperative farms have you in Saskatchewan?

Mr. NOLLET: There are a number of cooperative farms, but principally the farmers only have machinery cooperatives. Farmers normally pool their resources in terms of machinery but not in land. We have both kinds and apparently there is some discrimination in the act which we would like to see corrected.

Mr. HORNER (*Acadia*): Could you be more explicit?

Mr. WENAAS: Our point is that the maximum farm improvement loan which is available for a cooperative farm is the same as the maximum for an individual farmer. Therefore, for instance, if ten farmers were to get together and form a cooperative farm the maximum amount of the farm improvement loan that would be available to them would be only one-tenth of the total they would receive if they had remained individual farmers.

Mr. MANDZIUK: Do you not admit sir, that ten farmers forming a cooperative lose their identity, and the farm is only one legal entity?

Mr. WENAAS: That is what we should like to see changed in the act.

Mr. MANDZIUK: You can see our difficulty in that.

Mr. WENAAS: I can understand there are some difficulties, but they have been surmounted in other cases and I think they could be here.

Mr. MANDZIUK: Would you not have to have the ten of them each with an equal amount of land before we could give consideration to the request you are making? I could foresee legal difficulties in this.

Mr. NOLLET: Not practical difficulties—legal difficulties.

Mr. HORNER (*Acadia*): To follow up this line of questioning, would you agree with this statement that a cooperative farm does not need as much machinery as ten individual farmers? I mean roughly.

Mr. NOLLET: Yes, roughly, not to the same extent.

Mr. HORNER (*Acadia*): In other words, you would agree that ten individual farmers need more credit than one cooperative farm?

Mr. NOLLET: No—yes—but—

Mr. KYLE: We agree it does not need ten times as much.

Mr. NOLLET: This is a good field, Mr. Horner. I think we ought to encourage the smaller farmer; permit him to cooperatively buy and use machinery. This would be very helpful. Maybe there is some discrimination unintentionally.

Mr. HORNER (*Acadia*): On this very point—I own three different machines on my farm in a cooperative with different neighbours around me. We have not formed a legal cooperative—maybe this is illegal. We bought the machines and someone put it through the farm improvement loan—I am not going to say who. Each of us has maintained the maximum amount on each one of our farm improvement loans, and actually in this case three different farmers own each of those machines. We have not limited our borrowing resources because we have bought that machine in the cooperative. It is only when you have formed a legal cooperative that this becomes a legal entity, as Mr. Mandziuk, who is a lawyer, has said. It is only then that it becomes one entity and you are limiting your finances.

The CHAIRMAN: You have been a very patient and cooperative committee this afternoon. Are there any further questions before we adjourn?

Mr. HORNER (*Acadia*): I have one question on tariffs and then I am through. You suggest a tariff free entry on farm machinery, and I agree with this one, but on page 32 of the brief you say that a national agency shall be the sole importing agency of farm machinery. In order to do that would you not have to set up some sort of importing control, a tariff limitation or something? In

other words, if there was a sole importing agency in Canada and farmer Jones in Saskatchewan said: "By Jove, I can buy that tractor cheaper in Great Britain. I am going to phone my brother over there and have him send that tractor to me," under this sole importing agency this would be prohibitive, would it not, as you envisage it in your brief?

Mr. WENAAS: This would have relevance to commercial transactions, a transaction where an individual has made an arrangement with someone else.

Mr. HORNER (*Acadia*): It may be a machine dealer.

Mr. WENAAS: This would in my mind be a different category than is being referred to here. I do not think there would be any intention of interfering with this kind of movement.

Mr. HORNER (*Acadia*): Farmer Jones would be doing it in this instance, but if it were to his profit, say of \$100 or \$200, he might say to his neighbour: "I can get you a tractor because this brother of mine can get them", and the thing would spread. Would you not have to put a clamp on it if you were trying to maintain a sole import agency?

Mr. WENAAS: It is unlikely that would happen without the establishment of a system of dealerships. As has been indicated previously, it is not just enough to be able to buy this particular tractor; you have to be able to get parts and service.

Mr. HORNER (*Acadia*): I could get the same parts.

Mr. WENAAS: That would be fine.

Mr. KYLE: Massey-Ferguson make a tractor in England and they sell it here. You can see them in operation.

Mr. WENAAS: This suggestion is put forward as a possibility. It is recognized that it would be necessary to have some controls over this kind of movement, but it would not involve tariffs.

Mr. HORNER (*Acadia*): It would involve control?

Mr. WENAAS: Yes, it would involve control.

Mr. HORNER (*Acadia*): What is the difference basically between controls and tariffs? A tariff is one way of putting on control.

Mr. WENAAS: The difficulty about a tariff is that it attempts* to apply control by increasing the price to the consumer. This other type of control would be of quite a different kind.

Mr. HORNER (*Acadia*): Basically it is this—if you put on control and said I could not do this, that I could not bring in this tractor, you would not be putting on a tariff, but if I had to buy that machine or a replacement for it somewhere else at a higher price, you might as well put on a tariff. Do the two things not go hand in hand?

Mr. NOLLET: If you could not justify the agency on that basis, you should not have it at all.

Mr. KORCHINSKI: Then the sole agency ought to be done away with?

Mr. NOLLET: Actually, I did not think you fellows were so serious about this, as I am afraid now I might do it.

Mr. KORCHINSKI: This question is on transport. I do not want you to submit a brief in answer. Could you tell me how you treat all these wage increases since the end of the war, if you would not have increased the freight rates?

Mr. NOLLET: If I would not have? I am not complaining. I know there is a transportation problem. What I am complaining about is the fact that a farmer has not received compensating income to meet all these added costs.

Mr. KORCHINSKI: How would you have gone about it without increasing freight rates? How would you have made wage increases without increasing the freight rates?

Mr. NOLLET: In the case of the railways, there were signs that the economy was moving upward in an inflationary spiral. Freight rates were bound to go up when the price of steel went up, there was bound to be that reflection in the price.

Mr. KORCHINSKI: How would you go about it? In what way?

The CHAIRMAN: Before we adjourn, I would like to thank the hon. Mr. Nollet and the members of his agricultural organization for being with us here this afternoon. I may say I am sure the committee, when preparing its report, will take into consideration what has been presented here today.

The committee will meet on Monday morning in this same room, when the John Deere farm equipment company will be present, at 9.30 a.m.

APPENDIX "A"

REGULATIONS UNDER
THE AGRICULTURAL MACHINERY ACT, 1958

1. These regulations shall be construed and interpreted with reference to the terms and expressions contained in The Agricultural Machinery Act, 1958.

2. An application for a licence to sell any implement and part of an implement in the Province at a retail sale shall be in "Form I" in the schedule hereto, and an application for a licence to sell an implement repair part only shall be in "Form IV" in the schedule hereto.

3. Every licence issued pursuant to Section 9 of the Act shall be in "Form II" in the schedule hereto where implements and repair parts are being sold, and in "Form III" in the schedule hereto where only repair parts are being sold.

4. The fee for a licence in "Form II" shall be Ten Dollars (\$10.00) and shall accompany the application for a licence in "Form I" and the fee for a licence in "Form III" shall be Five Dollars (\$5.00) and shall accompany the application for a licence in "Form IV".

5. Every licence in "Form II" and "Form III" shall expire at midnight on the 31st day of March next after the date of its issue.

6. The Director may revoke or suspend any licence granted under the Act or these regulations if the licensee violates any of the provisions of the Act or its regulations and he may reinstate any such licence when the licensee fulfils all of the requirements of the Act and its regulations.

7. Every vendor shall post his licence in a conspicuous place within his place of business so that it is clearly visible to the public and it shall be produced for inspection on demand by any person.

8. Every licensed vendor shall have a current parts book in respect of each implement offered for sale.

9. (1) (a) the manufacturer or vendor of the implement tested may:

- (i) publish and distribute or cause to be published and distributed the full report without alteration.
- (ii) quote extracts therefrom which extracts have been granted prior written approval by the Director.
- (iii) disclose that the implement has been tested by the Agricultural Machinery Administration.
- (iv) add a commentary footnote to the published report of the Agricultural Machinery Administration in respect of the manufacturer's own implement but the form and wording of the footnote must be approved in writing by the Director.

(2) No person shall indicate in any advertisement or in any other manner that an implement has been recommended or approved by the Agricultural Machinery Administration.

10. The Agricultural Machinery Administration may, subject to the approval of the Agricultural Machinery Board, enter into such agreements and do such things as may be necessary to effect the testing and appraising under actual working conditions of implements sold or offered for sale in Saskatchewan.

11. The Director shall execute all agreements and sign all documents on behalf of the Agricultural Machinery Administration.

12. A person who violates any of the provisions of these regulations is guilty of an offence and upon summary conviction is liable for the first offence, to a fine not exceeding \$100.00 and, for a subsequent offence, to a fine of not less than \$200.00 nor more than \$500.00.

13. (1) Where an inspector's report indicates that an applicant for a licence has not complied with the Act or the regulations, the Director may issue a temporary licence pending the compliance by the vendor with the Act or regulations.

(2) Such licence shall expire on the date indicated therein.

14. The Director may refund the fee for a licence or a portion thereof where a licence in "Form II" is not issued.

APPENDIX "B"

1958

CHAPTER 91

An Act respecting the Sale and Testing of
Agricultural Machinery.

[Assented to April 2, 1958.]

HER Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows:

Short title

1. This Act may be cited as *The Agricultural Machinery Act, 1958*.

Interpre-
tation

2. In this Act:

"director"

1. "director" means the Director of the Agricultural Machinery Administration mentioned in section 5;

"general
provincial
distributor"

2. "general provincial distributor" means a person, company or other organization representing a manufacturer, company or person selling or offering for sale implements in Saskatchewan and responsible to that manufacturer, company or person with respect to distribution and marketing of his or its implements in Saskatchewan;

"imple-
ment"

3. "implement" means any and every implement or machine of the selling price of \$100 or more used or intended for use upon a farm, but does not include a motor truck;

"large
imple-
ment"

4. "large implement" includes traction and portable engines of any kind having a capacity of at least ten horse power for the production of power upon farms, grain harvesting machines, threshing machines, combined harvesting and threshing machines requiring for their operation an engine of ten horse power or more, engine ploughs and engine discs, engine tillage machinery, engine seeding machinery, power implements for making and handling hay, power spraying and dusting machines, power machines for the application of

fertilizer, road graders and all farm and road making machinery sold for the purpose of being operated by traction engines when used or intended for use upon a farm, and any other implement that is declared by the Lieutenant Governor in Council to be a large implement within the meaning of this Act;

"small
imple-
ment"

5. "small implement" includes grain loaders, grain drying equipment, stationary engines of any kind under ten horse power, garden tractors, farm water and sewage pumping units, irrigation equipment, dairy equipment, hydraulic attachments and any other implement that is declared by the Lieutenant Governor in Council to be a small implement within the meaning of this Act;

"vendor"

6. "vendor" means any person or company selling or offering for sale implements or parts of implements on his or its own account, or on account of a general provincial distributor, and, where the person or company resides or has its head office outside Saskatchewan, includes his or its general provincial distributor in Saskatchewan. R.S.S. 1953, c. 211, s. 2 amended.

Non-applica-
tion of Act

3. This Act does not apply to sales of implements:

(a) by farmers:

(i) by auction sale; or

(ii) in the ordinary course of their farming operations; or

(b) by an executor or administrator or any public official acting under judicial process;

or to sales of implements to persons carrying on an implement business and procuring the implements for use in that business or for resale. R.S.S. 1953, c. 211, s. 3 amended.

Application
of Act

4. Except as herein otherwise provided, this Act applies to the sale of all implements in Saskatchewan. R.S.S. 1953, c. 211, s. 4.

Agricultural
Machinery
Administra-
tion

5.—(1) There shall be an agency of the Government of Saskatchewan, which shall be called the Agricultural Machinery Administration, consisting of a permanent head, appointed by the Lieutenant Governor in Council, to be known as the Director of the Agricultural Machinery Administration and such staff, including

inspectors, as may be appointed by The Public Service Commission.

(2) The Agricultural Machinery Administration shall, subject to the direction of the board established pursuant to section 6:

- (a) administer this Act;
- (b) test and appraise under actual working conditions implements sold or offered for sale in Saskatchewan;
- (c) undertake development work to improve and develop implements for use in Saskatchewan;
- (d) publish such reports, pamphlets and bulletins as are consistent with the intent of this Act.

(3) The Agricultural Machinery Administration may, with the approval of the board established pursuant to section 6:

- (a) enter into an agreement with any department or agency of the Government of Saskatchewan or with the Government of Canada or of any province of Canada or with any university, providing for the carrying on of research or the conducting of investigations or inquiries;
- (b) carry on investigations and studies on behalf of any person or organization upon such terms and subject to such conditions as may be determined by the board. New.

Agricultural
Machinery
Board

6.—(1) The Lieutenant Governor in Council shall appoint a board, which shall be called the Agricultural Machinery Board, consisting of the Director of the Agricultural Machinery Administration, who shall be the permanent chairman, and not less than four nor more than six other members.

(2) The members of the board, other than the chairman, shall hold office during the pleasure of the Lieutenant Governor in Council for such term, not exceeding three years, as the Lieutenant Governor in Council may determine, and shall be eligible for reappointment.

(3) Vacancies in the board may be filled by the Lieutenant Governor in Council.

(4) In case of the absence of any member or the inability of any member to act or in case of a vacancy in the membership, the remaining members shall perform the duties and may exercise the powers of the board.

(5) The members of the board shall receive such remuneration and allowances as may be determined by the Lieutenant Governor in Council.

(6) The board shall meet not less than four times in each year.

(7) The board may make rules and regulations:

(a) subject to subsection (6), governing the times and places at which meetings of the board shall be held;

(b) governing the appointment of committees of the board.

(8) A majority of the members of the board shall constitute a quorum.

(9) The duties of the board shall be to govern and direct the affairs and functions of the Agricultural Machinery Administration and in the performance of its duties it shall be responsible to the Minister of Agriculture.

(10) The board may make an inquiry into the distribution and marketing of implements in Saskatchewan or into any matter relating thereto, and the board shall, for the purpose of any such inquiry, have all the powers conferred or that may be conferred upon commissioners appointed under *The Public Inquiries Act*.
New.

General
provincial
distributors

7.—(1) Every manufacturer, company or person selling or offering for sale implements in Saskatchewan shall be represented by one or more general provincial distributors within Saskatchewan. A branch of the business of any such manufacturer, company or person may be a general provincial distributor representing that manufacturer, company or person.

(2) Where such manufacturer, company or person resides or has his or its head office in Saskatchewan and has not appointed a general provincial distributor he or it shall be deemed to be his or its own general provincial distributor.

(3) Subsections (1) and (2) do not apply to a company or person that has not manufactured the implements sold or offered for sale and sells the implements or offers them for sale by retail only.

(4) Every general provincial distributor shall, within seven days after being designated as such by a manufacturer, company or person selling or offering for sale implements in Saskatchewan, file with the director a statement showing the general provincial distributor's name and the location of his or its place of business in Saskatchewan.

(5) On or before the first day of April in each year every general provincial distributor shall file with the director a statement showing the name and location of every vendor who obtains or will obtain implements from or through the general provincial distributor.

(6) Where, after a statement is filed pursuant to subsection (5), it is intended that the location of any vendor is to be changed or that any additional vendor is to represent the general provincial distributor, the general provincial distributor shall, at least five days before the change is made or the additional vendor is appointed, file with the director notice of the intended change or appointment; provided that where the contract between the general provincial distributor and a vendor is terminated, notice thereof shall be filed with the director not later than ten days after the date of termination.

(7) A general provincial distributor who fails to comply with subsection (4), (5) or (6) is guilty of an offence and liable on summary conviction to a fine not exceeding \$5 for every day during which default continues. New.

Supply of
repairs by
general
provincial
distributors

8. A general provincial distributor who fails to maintain a sufficient supply of repairs required for implements sold or distributed by him or on his behalf and in operation in Saskatchewan is guilty of an offence and liable on summary conviction to a fine not exceeding \$500 for each offence. New.

Vendors'
licences

9.—(1) No vendor shall sell any implement or part of an implement in Saskatchewan at a retail sale unless he holds a licence to do so issued to him by the director and such licence is in force at the time of the sale.

(2) If the vendor meets the requirements of this Act and the regulations the licence shall be issued upon completion of the application form and payment of the fee prescribed by the regulations and shall be signed by the director and, if required by the regulations, shall be kept posted up, in the manner prescribed thereby, in the place where the vendor carries on his business.

(3) Every vendor who contravenes any of the provisions of this section is guilty of an offence and liable on summary conviction to a fine of not less than \$10 nor more than \$500. R.S.S. 1953, c. 211, s. 5 amended.

Prohibition
respecting
sale by
vendor

10.—(1) No vendor shall sell or offer for sale an implement or part of an implement in Saskatchewan unless the implement or part is obtainable from or through a general provincial distributor representing, as required by subsection (1) of section 7, a manufacturer, company or person selling or offering for sale implements in Saskatchewan.

(2) Subsection (1) does not apply with respect to second-hand implements or second-hand parts of implements.

(3) A vendor who violates subsection (1) is guilty of an offence and liable on summary conviction to a fine of not less than \$50 nor more than \$500. New.

Lists of large
implements
to be filed

11.—(1) All general provincial distributors selling or offering for sale large implements in Saskatchewan shall file with the director on or before the first day of April in each year a list of the large implements which they offer or which they may within the following twelve months offer for sale with an illustration and description of each implement and showing in the case of engines the horse power of the same, both at the brake and on the drawbar, and in the case of implements driven or operated by engine power the amount of horse power required to drive or operate such implement.

(2) The list shall also contain the maximum price at which the implements are intended to be sold at retail, both for cash and on credit, and shall also give the usual length and terms of credit and the rate of interest charged. R.S.S. 1953, c. 211, s. 6 amended.

Lists of small
implements
to be filed

12. All general provincial distributors selling or offering for sale small implements in Saskatchewan shall file with the director on or before the first day of April in each year a list of all implements which they offer or which they may within the following twelve months offer for sale with an illustration and description of each implement and showing the maximum price at which the implements are intended to be sold at retail, both for cash and on credit, and showing also in the latter case the usual length and terms of credit and the rate of interest charged. R.S.S. 1953, c. 211, s. 7 amended.

Lists of
repairs to
be filed

13.—(1) All general provincial distributors shall also file with the director on or before the first day of April in each year a list of all repairs required for the implements sold by them, stating the maximum retail selling price thereof and the places in Saskatchewan where they may be purchased.

(2) It shall be unnecessary to include in such list standard bolts and nuts or straps or other iron or wooden parts usually made by blacksmiths or carpenters. R.S.S. 1953, c. 211, s. 8 amended.

Supple-
mentary
lists

14. In the event of any changes from time to time in matters mentioned in the lists referred to in sections 11, 12 and 13 the general provincial distributor concerned shall within thirty days after making any such change file with the director a supplementary list or lists corrected to date. R.S.S. 1953, c. 211, s. 9 amended.

Penalty for
failure to
comply with
sections
11 to 14

15. A general provincial distributor who fails to comply with section 11, 12, 13 or 14 is guilty of an offence and liable on summary conviction to a fine not exceeding \$5 for every day during which the default continues. R.S.S. 1953, c. 211, s. 11 amended.

Selling price
of implements
and repairs

16.—(1) No person shall sell or offer for sale an implement or repair at a price higher than the maximum price stated, in respect of that implement or repair, in a list filed as required by section 11, 12, 13 or 14; provided that any transportation, telephone or telegraph costs incurred in requisitioning or obtaining any repair shall not be considered part of the price of the repair.

(2) A person who violates subsection (1) is guilty of an offence and liable on summary conviction to a fine of \$25. R.S.S. 1953, c. 211, s. 12.

Supply of
repairs by
vendors

17. A vendor who fails to maintain a sufficient supply of repairs required for implements sold by him or on his behalf and in operation in Saskatchewan is guilty of an offence and liable on summary conviction to a fine not exceeding \$100 for each offence. R.S.S. 1953, c. 211, s. 13 amended.

Inspections

18.—(1) Inspectors appointed under this Act shall inspect within Saskatchewan the manufacturing of implements sold or to be offered for sale by vendors and the stock of repairs maintained by vendors and general provincial distributors and for these purposes shall during the usual business hours have free access and admission to the premises of vendors and general provincial distributors and of their agents.

(2) A vendor or general provincial distributor or an agent of either who refuses to permit an inspector to enter his premises during the usual business hours for the purposes mentioned in subsection (1) and a person who obstructs an inspector in the performance of his duties is guilty of an offence and liable on summary conviction to a fine not exceeding \$100 for each offence. R.S.S. 1953, c. 211, s. 15 amended.

Contracts
to be in
writing

19.—(1) Where an implement is sold, whether for cash or on credit, the contract for the sale of the implement shall be in writing in form A in the schedule as to implements other than second-hand implements and in form B in the schedule as to second-hand implements.

(2) Form A shall not be used for second-hand or rebuilt implements, but if such form is so used then the same shall be conclusive evidence that the implement so sold is or is warranted to be a new one.

(3) Where the provisions of subsection (1) have not been complied with the contract shall not be invalid on that account only, but all the terms and conditions of the form that should have been used shall, so far as applicable, be held to apply and to be incorporated in the contract in the same manner as if it had been reduced into writing in the prescribed form; provided that, in the case of the sale of a new implement, where the contract has not been reduced into writing and signed by the parties thereto the purchaser shall have, instead of a ten days' trial as provided in form A in the schedule,

a thirty days' trial period and he shall within the said thirty days or within two days after the expiration of the same give notice in writing to the vendor or in his absence to the general provincial distributor that the machinery does not work well, and thereupon all the terms and conditions of form A, except the limitation as to a ten days' trial period, shall apply.

(4) In such case:

- (a) if no agent of the vendor has been named to whom defective parts may be returned, such parts may be returned to the agency of the vendor at the place where the implement was purchased or, if there is no such agency, then to the vendor or to the nearest agent of the vendor;
- (b) if no place has been mentioned where necessary repairs may be obtained, the contract shall be held to contain a statement that such repairs are kept by the vendor and may be obtained at the place of business of the vendor or of the agent of the vendor who is nearest to the purchaser;
- (c) if the person to whom notice is to be given that the machine or machinery does not work well has not been specified, the purchaser may give notice to the vendor.

(5) Nothing in this section shall be construed as dispensing with the necessity of a written contract when, under *The Sale of Goods Act* or the Statute of Frauds, such an instrument would be necessary to constitute a binding contract. R.S.S. 1953, c. 211, s. 18 amended.

Contracts
to be kept
two years
and produced
on request

20. Every vendor shall keep one copy of every contract for the sale of an implement entered into by him for at least two years and shall, upon request of an inspector appointed under this Act, produce the same and allow such inspector to make copies thereof. R.S.S. 1953, c. 211, s. 19.

Application
of sections
22 and 23

21. Sections 22 and 23 apply only to the sale of large implements. R.S.S. 1953, c. 211, s. 20.

Contracts
explained
before
signature

22.—(1) If the purchaser is unable to read in the English language the contract shall, before it is signed

by him, be read over and explained to him in a language that he understands, and in such case the burden of proving that the contract was so read over and explained to him shall be upon the vendor.

(2) An affidavit to the effect that the deponent has, within eight days preceding the taking of the affidavit, read over and explained the contract to the purchaser prior to his signature thereto, in a language which the purchaser understood, shall, upon proof of the signature of the officer before whom such affidavit purports to be sworn and that he was an officer authorized to take such affidavit, be received in evidence in all courts as *prima facie* proof of all the facts sworn to therein. R.S.S. 1953, c. 211, s. 21.

Contract not binding till signed by vendor

23. The signing of such contract by the purchaser shall not bind him to purchase the implement therein described until the same is signed by the vendor or some agent of the vendor authorized to bind the vendor and a copy thereof is delivered to or deposited in a post office addressed to the purchaser, postage prepaid and registered. R.S.S. 1953, c. 211, s. 22.

Payment to vendor's agent deemed payment

24. A purchaser of farm machinery may make any payment, whether due under the contract or under any note given thereon, to any sales or collection agent of the vendor in Saskatchewan, and receipt of such payment by such agent shall be deemed to be receipt by the vendor:

Provided that the vendor may from time to time notify the purchaser in writing of the name and address of one or more persons to whom such payments may be made, and thereafter all such payments shall be made to such person or persons. R.S.S. 1953, c. 211, s. 23.

Lien note for unpaid purchase money

25. The vendor of an agricultural implement shall have a lien upon the same for the unpaid purchase money only in the event that such lien is specified in a lien note taken for the purchase price or balance of the purchase price thereof. R.S.S. 1953, c. 211, s. 24.

Effect of lien note

26.—(1) Where the vendor takes a lien note and complies with the provisions of section 5 of *The Conditional Sales Act, 1957*, the property in and title to the

implement shall remain in the vendor until full payment of the purchase price. The purchaser shall have the possession of and the right to the use of the implement, but during such possession and use the implement shall be at the risk of the purchaser as to damage and destruction from any cause, and in the event of its damage or destruction the purchaser shall remain liable for the full purchase price of the same.

(2) Upon default in payment of an instalment of the purchase price the vendor may take possession of the implement, subject to the provisions of *The Limitation of Civil Rights Act*.

(3) If the purchaser absconds or permits the implement to go out of his possession to a third party without the consent of the vendor, the vendor may take possession of the implement.

(4) Upon repossession of the implement the vendor shall be entitled to deal with the same thereafter as he sees fit without being liable to account to the purchaser in any way, save as is provided by sections 27 and 28. R.S.S. 1953, c. 211, s. 25 amended.

Repossession
and sale of
small imple-
ments

27.—(1) Where the vendor repossesses himself of a small implement, the sum for which the vendor shall be liable to account to the purchaser shall be the amount obtained upon resale of the implement, which resale may be either by public auction or private treaty, less the reasonable expenses of obtaining repossession, of making necessary repairs, of paying for freight and of reselling.

(2) If, after the vendor has given credit for the proceeds of resale, there remains a balance outstanding to the credit of either party, the person entitled to such balance may forthwith sue for and recover the same in any court of competent jurisdiction. R.S.S. 1953, c. 211, s. 26 amended.

Procedure on
repossession
of large
implements

28.—(1) In the case of the vendor repossessing a large implement, the implement shall, in the event of the vendor and purchaser being unable to agree upon the value of the same, be appraised forthwith by two arbitrators, one to be appointed by each party and a third arbitrator to be appointed by the other two, and

the amount of the value placed upon the implement by agreement or by the arbitrators shall be credited to the purchaser and shall be deemed to be paid by the purchaser to the vendor, and in determining the liabilities of the parties to each other after the afore-said repossession account shall be taken of any sum left owing by the one to the other after the crediting of the said amount to the purchaser.

(2) The value to be placed upon the implement by the arbitrators shall be its value at the place of repossession.

(3) In determining the value to be placed upon the implement the arbitrators shall make allowance in favour of the vendor for any sum that they deem reasonable to cover the costs necessarily incidental to a resale; provided that the said amount shall not in any case exceed ten per cent of the actual value of the implement.

(4) If upon the taking of an appraisalment, as herein provided, any amount remains outstanding to the credit of either the purchaser or the vendor, the person entitled to such amount may forthwith sue for and recover the same in any court of competent jurisdiction.

(5) The provisions of *The Arbitration Act* apply to arbitration proceedings under this section.

(6) If the purchaser has left the province or cannot readily be found for purposes of service, and it is desired to proceed to arbitration, the vendor may apply *ex parte* to a judge of the Court of Queen's Bench for an order directing the manner in which notices and other documents in the arbitration proceedings may be served upon the purchaser.

(7) Such application shall be made upon affidavit of the vendor or his agent setting forth the circumstances giving rise to the arbitration, stating that the whereabouts of the purchaser is unknown, and showing what efforts have been made to ascertain it.

(8) If it is made to appear to the judge that the whereabouts of the purchaser is unknown, after all reasonable efforts to ascertain it have been exhausted, the judge may order that all notices and other papers required to be served in the arbitration proceedings may be served by advertisement or otherwise, subject to such

terms and conditions as are necessary to protect the purchaser from injustice. R.S.S. 1953, c. 211, s. 27 amended.

Liability of
original
vendor

29.—(1) Where the purchaser of an implement, other than a second-hand or rebuilt implement, buys the same from a vendor who is not the maker thereof, the person or company who or which sold the implement to the vendor and the general provincial distributor representing that person or company shall be under a liability to the purchaser to observe, keep and perform the warranties numbered 1, 2, 3 and 4 in form A; and the purchaser may maintain an action against any such person or company or general provincial distributor, as well as against the vendor, or against any one or more of them, for any breach of any such warranty.

(2) The person or company who or which sold the implement to the vendor and the general provincial distributor representing that person or company shall, subject to any contract made between the vendor and such person or company and to any payment made by the vendor in respect of such implement, be entitled to be fully indemnified by the vendor against all liability imposed under this section; and in any such action by a purchaser against the person or company who or which sold the implement to the vendor or against the general provincial distributor, the party against whom such action is brought may as a matter of right add the vendor and any party to whom any note given in connection with the sale of the implement, or the moneys payable thereunder, may have been assigned or delivered as third parties, to the end that the rights of all parties may be determined. R.S.S. 1953, c. 211, s. 28.

Purchaser's
right to
reject

30. Where the purchaser purchases several large implements at the same time from the same vendor, whether by one or several orders, and it is reasonably apparent that the several implements were intended to form part of the one outfit, then and in every such case the purchaser may, upon the happening of any event that under this Act and the forms in the schedule hereto would give him the right to reject any one of the said implements, reject all of them. R.S.S. 1953, c. 211, s. 29.

Earnings of
large
implement
assigned

31.—(1) No assignment of the earnings of a large implement shall be acted upon until the vendor or his

assignee delivers to the purchaser and to the person for whom the work is being done a notice in writing that he claims such earnings. Upon the delivery of such notices, then, subject to the provisions of *The Thresher Employees Act*, twenty-five per cent of the earnings of the implement in the particular piece of work or contract for which the notice has been given, shall belong absolutely to the vendor in preference to all other charges or claims by assignment, garnishment or otherwise howsoever. The vendor shall not be entitled to any further portion of the said earnings. The vendor may give one notice to the purchaser covering an entire season, or a portion thereof, which shall have the same effect as if notice were given for each particular piece of work or contract during such season or portion of a season.

(2) If the machine is a threshing machine the vendor shall to the extent of his interest in the earnings have the same lien upon any grain threshed as the thresher would have under *The Threshers' Lien Act* and may sell the same to realize the amount due thereon.

(3) If the earnings are produced jointly by two or more implements sold by different vendors who have given the notices provided herein, the said twenty-five per cent shall be divided among them *pro rata* according to the price of the implement sold by each of the said vendors. R.S.S. 1953, c. 211, s. 30.

Net amount
credited to
purchaser

32. The net amount received by the vendor or the amount which he should have received but for his negligence less in each case his reasonable expenses of collecting the same shall be forthwith credited to the purchaser. R.S.S. 1953, c. 211, s. 31.

Contracts
to comply
with Act

33.—(1) No contract, order or security made or taken in connection with the sale of agricultural implements shall contain any statement to the effect that the vendor is not responsible for the representations of his agent or any other language in any wise limiting or modifying the legal liability of the vendor as provided in this Act or in the forms in the schedule hereto; and the insertion of any such statement or the use of any such language shall be of no effect.

(2) Any breach of the provisions of this section shall render the contract, order or security void at the option of the purchaser. R.S.S. 1953, c. 211, s. 32.

Effect of
clerical
errors
in contract

34. No error of a clerical nature or in an immaterial or non-essential part of any written contract under this Act invalidates the same, unless in the opinion of the court or judge before whom a question relating thereto is tried such error has actually misled some person whose interests are affected by the contract. R.S.S. 1953, c. 211, s. 33.

Contract
is entire
contract

35.—(1) Where a contract is made in form A or B and the form is duly completed, the same shall be taken and held to be the entire contract between the parties.

(2) Notwithstanding subsection (1), every purchaser of an implement shall, upon breach of any term of the agreement for the sale of the implement, whether or not the same is in form A or B, be entitled to the damages to which a buyer of goods is entitled under *The Sale of Goods Act*. R.S.S. 1953, c. 211, s. 34.

Validity
of forms

36.—(1) The words in parenthesis in forms A and C in the schedule to *The Farm Implement Act*, being chapter 199 of *The Revised Statutes of Saskatchewan, 1940*, and in any *Farm Implement Act* theretofore in force, and in forms A and B in the schedules respectively to *The Farm Implement Act, 1949*, and *The Farm Implement Act*, being chapter 211 of *The Revised Statutes of Saskatchewan, 1953*, and in the said forms as amended, and in forms A and B in the schedule to this Act, were and have always been and are directory merely and need not now be nor need they ever have been printed or written in any contract made pursuant to the said Acts and amendments thereto, and where any paragraph or paragraphs of the said forms governed by a parenthesis, are or were inappropriate to any particular contract according to the directions contained in the said parenthesis, such paragraph or paragraphs need not now be nor need they ever have been printed or written in any such contract.

(2) Slight deviations from the forms prescribed by this Act, not affecting the substance of the forms or calculated to mislead, shall not vitiate or invalidate such forms. R.S.S. 1953, c. 211, s. 35 amended.

Expendi-
tures

37. Sums required for the purposes of this Act may be paid from moneys appropriated by the Legislature for such purposes. New.

Annual
report

38. The Agricultural Machinery Board shall make and submit to the Minister of Agriculture an annual report respecting the work performed by the Agricultural Machinery Administration and such report shall be laid before the Legislative Assembly within fifteen days from the commencement of the session next following the end of the year for which the report is made. New.

No liability
for things
done under
authority
of board

39. No member of the Agricultural Machinery Board or of the staff of the Agricultural Machinery Administration shall be liable to any civil action or to prosecution, arrest, imprisonment or damages by reason of any statement made, report published or act done under the authority of the board acting within its powers. New.

Regulations

40.—(1) For the purpose of carrying into effect the provisions of this Act according to their true intent, the Lieutenant Governor in Council may make such regulations not inconsistent with the spirit of this Act as are considered necessary or advisable.

(2) Without limiting the generality of subsection (1), the Lieutenant Governor in Council may make regulations:

- (a) prescribing the form and contents of applications for licences to be issued to vendors under this Act and for renewals of such licences, the form of licences, the conditions to which licences shall be subject, their duration, and the fees payable for licences and renewals of licences;
- (b) prescribing the standards to be met by licensed vendors with respect to repair and service facilities;
- (c) defining the tests and examinations to be made with respect to implements and the methods and procedures to be adopted in the making of such tests and examinations;

- (d) respecting the publication and furnishing of information to manufacturers, general provincial distributors and their agents and to the public as to the results of any test or examination of an implement. R.S.S. 1953, c. 211, s. 36 amended.

Rev. Stat.
c. 211
repealed

41. *The Farm Implement Act* is repealed.

Coming
into force

42.—(1) Subject to subsection (2), this Act shall come into force on a day to be fixed by proclamation of the Lieutenant Governor.

(2) With respect to all sales of implements to which this Act applies and made before the first day of July, 1958, the references to form A or form B, or to both, in sections 19, 29 and 35 shall be deemed to be references to form A or form B, respectively, in the schedule to *The Farm Implement Act*, chapter 211 of *The Revised Statutes of Saskatchewan, 1953*, and the contract for sale shall be in the said form A or form B, as the case may require, and, for that purpose and to that extent and notwithstanding the repeal of that Act, forms A and B in the schedule thereto shall be deemed to continue in force and effect as if unrepealed.

SCHEDULE.

FORM A.
(Section 19)

CONTRACT FOR SALE OF FARM IMPLEMENTS.

Dated _____, 19____,
_____, hereinafter called the general provincial
(name of general provincial distributor)
distributor, and _____, hereinafter called the
(name of vendor)
vendor, are hereby requested by the undersigned, hereinafter called the purchaser,
to ship or have available for delivery on or about the _____ day of
_____, 19____, or as soon thereafter as the vendor can do so, but
not later than the _____ day of _____, 19____, to or at
_____ in the Province of Saskatchewan, the following machinery
with usual fixtures and extras hereby now agreed to be purchased, upon which the
purchaser agrees to pay all freight and charges thereon from
to _____

On arrival of the said machinery at the point above named (or when the said machinery is available for delivery) the purchaser agrees to take delivery of the same, subject to the terms and warranties herein, (pay the freight and charges thereon) and pay the vendor for the same _____ dollars, payable as follows:

Cash \$ _____ and give in settlement lien notes bearing interest at _____ per cent per annum before maturity and at _____ per cent per annum after maturity from the date of delivery.

Note for \$	due	, 19 .
Note for \$	due	, 19 .
Note for \$	due	, 19 .
Note for \$	due	, 19 .

Payable at _____, Saskatchewan, and (where applicable) to deliver the following second-hand machinery, namely:

(Discount clause. Here fill in discount provisions, if any).

The said machinery is intended to perform the following work, namely: (insert purposes).

Repair parts except as provided for in this contract and attachments not sold as usual fixtures and extras are excluded from the warranties herein expressed.

The said machinery is sold upon the following express warranties on the part of the vendor and the general provincial distributor:

1. The vendor and the general provincial distributor warrant that the said machinery is well made and of good materials.

2. The vendor and the general provincial distributor warrant that the said machinery will well perform the work for which it is intended, if properly used and operated:

Provided, however, that if the purchaser cannot make the said machinery perform well the work for which it was intended upon a ten days' trial of the same, he shall within the said ten days or within two days after the expiration of the same give notice in writing to the vendor at _____, in Saskatchewan, or in his absence to the general provincial distributor that the machinery does not work well. If the purchaser gives such notice the vendor and the general provincial distributor shall have eight days from the receipt of such notice to make it perform well the work for which it was intended. If within the said eight days they do not make it perform well such work, either by replacing the parts or otherwise, the purchaser may either reject said machinery, in which case this contract shall be at an end and he shall be entitled to a return of any moneys paid or notes given therefor by him and the freight paid by him, or he may retain said machinery and hold them liable for the difference between the value of the machine as it is and the value it would have had if it had fulfilled this warranty.

Whether the purchaser rejects or retains the machinery as hereinbefore mentioned, he shall within the said eight days or within five days after the expiration of the same give written notice to the vendor at _____, in Saskatchewan, or to the general provincial distributor of his decision.

If within the said eight days the vendor and the general provincial distributor or either of them makes the said machinery fulfil this warranty and if the purchaser's failure to make it work well was due to improper management or want of skill in operating on his part, then the purchaser hereby agrees to pay the expenses incurred by him in making it work well, in cash forthwith, and in case payment is not so made the amount shall bear interest at the rate specified in this contract. The purchaser shall forfeit his right to reject the machinery if he fails to give either of the said notices within the time limited, unless the vendor or the general provincial distributor either before or after the expiration of the time limited for the giving of either of the said notices, does any act, or so conducts himself, as to lead the purchaser to believe that the said notices are not required to be, or to have been, given.

3. The vendor and the general provincial distributor warrant that the said machinery will be durable if used and kept with proper care. Parts proving defective in workmanship or material will be replaced free of charge for the period of one year upon the defective parts being returned to the vendor at _____, in Saskatchewan, or to the general provincial distributor.

In the event of the purchaser having to pay for any such defective parts within said period, he shall be credited with the money paid by him for the same upon any note or notes due to the vendor.

4. The vendor and the general provincial distributor warrant that all necessary repairs for said machinery, other than standard bolts and nuts or straps or other iron or wooden parts usually made by blacksmiths and carpenters, will for a period of ten years from the date of this order be kept at _____, in Saskatchewan and that at said place the purchaser will be able to obtain them within reasonable time.

The purchaser hereby agrees that he will take delivery of the machine for which this order is given at _____, and that he will settle for the same in accordance with the foregoing terms.

The purchaser hereby assigns to the vendor twenty-five per cent of all moneys which the purchaser, his servants or assigns may earn by using the same and all threshers' liens and rights to liens therefor which may accrue, with full power to exercise the same in the name of the purchaser or any such other person.

The purchaser further agrees to insure the machinery against fire in favour of the vendor as his interest may appear and, in the event of his failure to do so, the vendor may insure the same, and add the amount paid therefor to the purchase price, which shall immediately become due from the purchaser to the vendor and shall bear interest at the rate specified for the original debt.

In the event of the said machinery being seized for payment of taxes, the vendor may pay such taxes, together with any costs in connection with such seizure, and all such moneys shall be forthwith repayable by the purchaser to the vendor with interest at the contract rate from the date on which the vendor paid same, and any moneys so paid by the vendor shall be added to and form a part of the purchase money of the said machinery.

This contract shall be deemed to be made in Saskatchewan and in any action which may be brought hereunder or by reason hereof shall be interpreted and enforced according to the laws of Saskatchewan.

(If the machinery sold is a motor or if a motor forms a part of the machinery sold, the following additional warranty shall be given:)

The vendor warrants that the said machinery (or the motor forming part of the said machinery) is capable of developing _____ horse power at the belt, and (where applicable) _____ horse power at the drawbar, if properly operated under suitable conditions.

In testimony whereof the purchaser has hereunto set his hand the day and year first above mentioned.

..... Witness. Purchaser.

..... Address.

Accepted at the day of , 19 .

..... Witness. Vendor.

..... Address.

(The contract must include in detachable form the two notices required to be given under warranty 2, as follows:)

To
(name of vendor or general provincial distributor)

.....
(address)

Take notice that I
(name of purchaser)
[Strike out (a) or
(b), whichever is
not applicable] (a) reject the machinery
or
 (b) retain the machinery and claim my rights under the contract.

Purchaser.

Note.—This notice must be sent during or within five days from the expiry of eight days within which the machinery was to be made to work. (Send by registered mail, if possible.)

To
(name of vendor or general provincial distributor)

(address)

Take notice that the machinery purchased by me from you does not work well.

Purchaser.

Note.—This notice must be sent during or within two days after there has been a ten days' trial. (Send by registered mail, if possible.)

FORM B.
 (Section 19)

CONTRACT FOR SALE OF SECOND-HAND IMPLEMENTS.

Dated , 19 .

, hereinafter called the vendor, is hereby requested by the undersigned, hereinafter called the purchaser, to ship or have available for delivery on or about the day of , 19 , or as soon thereafter as the vendor can do so, but not later than the day of , 19 , to or at in the Province of Saskatchewan, the following machinery hereby now agreed to be purchased, upon which the purchaser agrees to pay all freight and charges thereon from to

On arrival of the said machinery at the point above named (or when the said machinery is available for delivery) the purchaser agrees to take delivery of the same, subject to the terms and warranties herein, (pay the freight and charges thereon) and pay the vendor for the same dollars, payable as follows:

Cash \$ and give in settlement lien notes bearing interest at per cent per annum before maturity and at per cent per annum after maturity from the date of delivery.

Note for \$	due	, 19 .
Note for \$	due	, 19 .
Note for \$	due	, 19 .
Note for \$	due	, 19 .

Payable at

(Discount clause. Here fill in discount provisions, if any).

The vendor gives the following warranties with this machinery:

(Here insert the warranties, if any, given with said machinery).

The purchaser hereby agrees that he will take delivery of the machinery for which this order is given at _____, and that he will settle for the same in accordance with the foregoing terms.

The purchaser hereby assigns to the vendor twenty-five per cent of all moneys which the purchaser, his servants or assigns, may earn by using the same and all threshers' liens and rights to liens therefor which may accrue, with full power to exercise the same in the name of the purchaser or any such other person.

In the event of the said machinery being seized for payment of taxes, the vendor may pay such taxes, together with any costs in connection with such seizure, and all such moneys shall be forthwith repayable by the purchaser to the vendor with interest at the contract rate from the date on which the vendor paid same, and any moneys so paid by the vendor shall be added to and form a part of the purchase money of the said machinery.

In testimony whereof the purchaser has hereunto set his hand the day and year first above mentioned.

.....
Witness.

.....
Purchaser.

.....
Address.

Accepted at the day of , 19

.....
Witness.

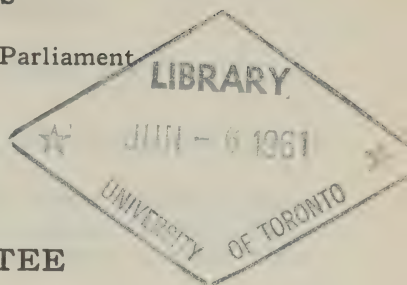
.....
Vendor.

.....
Address.

HOUSE OF COMMONS

Fourth Session—Twenty-Fourth Parliament

1960-61



STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

Respecting

PRICES OF FARM MACHINERY

MONDAY, MAY 22, 1961

WITNESSES:

From Deere and Company: Messrs. A. B. Connell, Director of Sales Financing; J. Dain, Jr., Vice-President and Treasurer; L. Kellogg, Economist; L. Wilson, Vice-President and General Counsel; H. Hawes, General Attorney. *From John Deere Limited:* Messrs. J. C. Trimble, Vice-President and Canadian Sales Manager; E. H. Coleman, Q.C., Counsel.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Regnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Rompre
Danforth	Korchinski	Slogan
Doucett	Latour	Southam
Drouin	Leduc	Stefanson
Dubois	McIntosh	Tardif
Dupuis	Mandziuk	Thomas
Fane	Michaud	Thompson
Forbes	Milligan	Tucker
Forgie	Montgomery	Villeneuve
Godin	Muir (<i>Lisgar</i>)	Webb—60.
Gundlock	Nasserden	
	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, May 22, 1961.
(20)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Cooper, Doucett, Fane, Forbes, Gundlock, Hales, Henderson, Horner (*Acadia*), Knowles, Korchinski, McBain, Milligan, Montgomery, Noble, Pascoe, Peters, Southam, Stefanson, Thomas, Tucker, Ville-neuve, Webb.—(22).

In attendance: From Deere and Company: Messrs. A. B. Connell, Director of Sales Financing; J. Dain, Jr., Vice-President and Treasurer; L. Kellogg, Economist; L. Wilson, Vice-President and General Counsel, and H. Hawes, General Attorney. *From John Deere Limited:* Messrs. J. C. Trimble, Vice-President and Canadian Sales Manager; E. H. Coleman, Q. C., Counsel.

The Chairman introduced Mr. Trimble who, in turn, introduced the officials of Deere and Company and John Deere Limited.

Mr. Connell presented the brief of Deere and Company regarding farm machinery prices.

The Committee questioned the officials on the Deere and Company brief.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING (21)

The Committee reconvened at 2.47 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Belzile, Clermont, Cooper, Doucett, Fane, Forbes, Gundlock, Hales, Henderson, Horner (*Acadia*), Knowles, Korchinski, Lahaye, McBain, Milligan, Montgomery, Noble, Pascoe, Peters, Rapp, Ricard, Southam, Stefanson, Thomas, Villeneuve, Webb.—(26).

In attendance: Same as at morning sitting.

The questioning of the officials of Deere and Company and John Deere Limited was concluded.

Agreed, that pamphlet entitled "Percentage of Costs to net selling price" of tractor, combine baler, spreader and tiller of Deere and Company (see Appendix "A") and "Facts about John Deere Tractor Wholesale Prices in the United States 1935-1961" (see Appendix "B") be made appendices to this day's Minutes of Proceedings and Evidence.

Mr. Korchinski moved, seconded by Mr. Southam,

Agreed, that the financial statement of Deere and Company be made an appendix to this day's Minutes of Proceedings and Evidence (see appendix "C").

On behalf of the Committee, the Chairman thanked the officials of Deere and Company and John Deere Limited for their appearance.

At 5.00 p.m. the Committee adjourned until 9.30 a.m. Friday, May 26th.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

MONDAY, May 22, 1961.

The CHAIRMAN: Gentlemen, we have a quorum this morning. I am very pleased to welcome to the committee the officers of John Deere Limited. I will call on Mr. J. C. Trimble, vice-president and Canadian sales manager of John Deere Limited to introduce these gentlemen to you.

Mr. J. C. TRIMBLE, (*Vice-President and Canadian Sales Manager, John Deere Limited*): Thank you, Mr. McBain. Gentlemen, it is a pleasure to be here this morning at your invitation.

On my left is Mr. A. B. Connell, director of sales financing of Deere and Company; on my right Mr. Joseph Dain, junior, vice-president and treasurer of Deere and Company. Seated on the side, first of all is Mr. L. Kellogg, economist; Deere and Co.; Mr. L. D. Wilson, vice-president and general counsel for Deere and Company; Mr. Harold Hawes, general attorney for Deere and Company; Mr. E. H. Coleman, Q.C., counsel for John Deere Limited.

Mr. Connell will read our brief.

Mr. A. B. CONNELL (*Director of sales financing, Deere and Company*): Gentlemen, before I start I would like to say I am very sorry that when we sent you the brief and supplementary data that we could not send you all the information you now have before you. I hope that each of you now has the brief, the supplementary data sheets and charts, the booklet "facts about John Deere tractor wholesale prices", and then in addition the costs of the machines on a percentage basis to selling price, and then a comparison of wholesale prices. Those are the papers you should have before you.

In addition we found we had made a mis-statement on page 12. We have given you a new page 12. So that you will not have to read the whole thing to find out where the mis-statement occurred, it is in the first paragraph; it is the wording beginning in the ninth line where it says "please notice that between 1935 and 1961". That part of that paragraph is different than in the brief which you received.

This morning we hope we have submitted in this material much of which we think you wanted. I can assure you that if you do not find in here the answers to some of your questions, we shall be happy to try to answer them for you.

In going through the questions, we propose that persons in this group most conversant with the subject will be the ones who will answer them.

Now, I will start reading the brief, with your permission.

We are here today at your invitation to provide information about our company and our industry, particularly with respect to the prices of our products. Before discussing the specific subjects of your interest, we would like to tell you something about Deere & Company. Deere & Company is a United States corporation which, for a substantial part of its 124 year life, has manufactured and sold its products primarily in the United States and Canada. For many years it has sold its products in foreign markets as well but it is only recently that it has extended its manufacturing efforts outside of North America.

This background is important as a foundation for some of the data which we will use here.

One other point is important by way of preface. We will use a considerable number of U.S. data. We will do so because U.S. data generally are more recent and more readily available. In addition, we believe that the basic trends in agriculture revealed by U.S. data are characteristic of basic trends in Canada. Most of the goods which we sell in Canada are manufactured in the United States, and this is another reason why U.S. data are relevant, particularly those data concerned with our costs and related items. It should be kept in mind in using these data that they relate to the Deere organization in the United States and Canada and not just to that portion of it which operates in Canada. This must necessarily be the case since, as we have stated, most of the goods sold in Canada are manufactured in the United States, although we have had for years a manufacturing plant at Welland, Ontario, which in turn exports most of its products to the United States.

I would like to remark on the side, here, that of the Welland production 65 per cent is exported to the United States, 30 per cent is sold in Canada and 5 per cent is exported to countries other than the United States.

Now we would like to give you some figures indicating the extent of the business done by the John Deere organization throughout the world. In 1960 worldwide net sales were \$510 million. Of this total, \$405 million or 79 per cent were sales within the continental limits of the United States; \$39 million or 8 per cent were sales within the Dominion of Canada; \$15 million or 3 per cent represented goods manufactured in the United States and Canada and exported; and \$51 million or 10 per cent represented goods fabricated by our foreign plants and sold outside the United States and Canada. None of the goods produced in any of our foreign plants was brought into either the United States or Canada.

Looking specifically at Canadian agriculture, annual expenditures for farm machinery and tractors, which have ranged from \$180 to \$250 million per year for the last five years, represents from 7 to 9 per cent of Canadian cash income from the sale of farm products and supplementary payments. This percentage has varied only moderately for many years.

Next, we want to summarize some important aspects of the way our industry must operate. Contrary to popular belief, ours is not a mass production industry as many people are accustomed to thinking of mass production. A glance at Data Sheet No. 1 in the supplement provided for you shows how the production volume of a few of the more costly farm machines produced by our entire industry in the United States in 1960 compared with the U.S. production of only two major makes of automobiles. In 1960 the number of wheel tractors produced by our industry was only about 8 per cent of the number of Chevrolets and Corvairs or the number of Fords, Falcons and Comets produced that year by two mass production manufacturers. Total industry production of crawler tractors, combines, corn pickers, hay balers and forage harvesters was also very small in comparison with Chevrolet and Ford production.

Total farm machinery production is the output of many companies. When you divide these unit production figures among ten or eleven major companies and over a thousand smaller ones, it is obvious that real mass production opportunities for any one company in the United States or Canada are severely limited. This is even more apparent when it is considered that in our company alone we offer for sale more than 8,700 different machines and attachments. Many of these pieces of equipment are needed to adapt basic machines to a wide variety of farming conditions in thousands of combinations in many different locations on our continent. We are in a constant dilemma between trying to reduce costs by producing a greater volume of standard machines on one hand, and responding to constant pressure from farmers on the other hand to adapt these basic machines to local needs.

Again I would like to digress just a little bit from the brief, and explain that the many attachments and the various kinds of machines we make are not machines that we make capriciously at all. It is simply that they come as the result of the demand by farmers for a particular machine or some attachment for a machine to better adapt that machine to particular operations. I have brought with me as an example just a few of the many hundreds of requests we receive annually from the users of our machines asking us to do something different from what we are already doing.

I thought that might be of interest to you at this point.

Another characteristic of our industry is that it does not enjoy the advantage of producing to fill orders. Most farm machines are used only at certain definite times of the year. Farmers buy machines only a short time before use seasons. For machines to be available for the farmer on time we must buy materials, produce the machines and store or ship them months ahead of the use season. We must produce to fill not actual orders on hand but orders we and our dealers estimate we will receive from farmers. This is risky business and is subject to many things over which we have no control, such as droughts, floods, crop failures, pests, diseases, etc.

Manufacturers in our industry must build up large inventories of machines ahead of use seasons so farmers can be properly served. In the case of our company these inventories are shipped to our dealers under a consignment arrangement under which the dealers need not pay for the machines until they are sold to the farmer.

Many farmers buy their machinery on credit. Adequate financing for this purpose has not always been readily available in sufficient amount to farmers. As a consequence we have had to fill this need and this has required large amounts of capital. We have been extending credit to farmers for 42 years.

Again I would like to interrupt the reading of the brief to mention this, that for the last two years our company has financed 29 per cent—or just a fraction above that, 29.2 or 29.3 per cent—of all the goods sold by our dealers.

We recognize that up here you have the Farm Improvement Loans Act which, in our opinion, is doing a wonderful job. Unfortunately, the \$7,500 limit placed on the farmer as the maximum, many times is not sufficient to take care of his needs when it must be considered that the \$7,500 has to cover all his needs. We are in there to fill the gap when the maximum is not enough.

As to our finance charge, I would like to explain it this way: if a machine were to be purchased and we would be asked to finance \$1,000 over 12 months, and he would pay us off in 12 equal monthly instalments, we would charge the purchaser \$53.60. We could say that that is a rate of approximately 5.4 per cent; but if I told you that, I would be wrong. In terms of simple interest it comes out to 9.95 per cent. That is our rate of interest.

Many times you will hear finance companies talk of a 6 per cent and 7 per cent rate but, gentlemen, you must remember that that is what is figured on the balance at the beginning, and not on the declining balance. If someone were to charge \$60, let us say, for a 12-month period, to be paid off in equal monthly instalments, the rate would be 11 per cent in terms of simple interest.

I thought that information might be helpful as to what our rates really are. They are not 5.3 per cent or 5.4 per cent; they are 9.95 per cent simple interest.

So much for the background. Now we want to turn to prices. This committee has heard much testimony that farm machinery prices have increased substantially in recent years and that this has worked a hardship on many farmers. This is all too true. We are well aware of it and it is a matter of very great concern to us.

This brings us to the last of our four principal points: how the changes in farm machinery prices relate to the changes in prices of farm products and the changes in the prices farmers pay. During the course of these committee meetings you have heard several times that today it takes a considerably greater number of bushels of wheat to purchase various pieces of machinery than it did some years ago. We know that, in general, the conclusion is true. We believe it is also true in most instances where a basic commodity requiring relatively small amounts of labor for its production is exchanged for a manufactured product requiring relatively large amounts of labor to produce it.

This situation is reflected in data sheet No. 8 which shows that in the U. S. wholesale prices of relatively important raw materials—those requiring small amounts of labor to produce—have risen much less than the prices of products which require larger amounts of labor per unit. Notice, for instance, that wholesale prices for raw lumber rose only 6.0 per cent between 1950 and 1960. Fertilizer prices increased only 9.6 per cent, and electric light and power rose only 10.5 per cent. Wholesale prices for farm machines and tractors which require considerably more labor have risen 33.5 per cent. Motor trucks which have been 80 per cent as important as tractors in farmers' capital expenditures in the last four years, have risen 32.8 per cent. Hardware, which includes such farm tools as shovels, hammers, forks, building hardware, etc. has risen 52.6 per cent. Notice also that wages paid for hired farm labor have risen 48.5 per cent since 1950, and taxes per farm acre have risen 67.5 per cent. It is clear from the chart and the table that prices for farm machinery and tractors have risen in the last 10 years, but they have risen substantially less than a number of other major expenditures required of farmers.

Much as we regret this situation, its causes are far beyond our control. They are beyond the control of any one company or industry. Nevertheless, we have worked hard to minimize its effect. Simple logic should make it clear that the last thing Deere & Company wants to do is to price itself out of the farm machinery market. We have shown you how our profits are considerably less than ten years ago and how our total employment costs per dollar of sales have increased substantially less than the increase in our wage rates. Such improvement in efficiency does not happen without strenuous effort.

Farm machinery is not a luxury item for the farmer. It serves the same function for him as the machine tools in our factories serve for us—it is his most productive capital. In both cases the basic tests in deciding whether or not to buy a new machine are these: the amount of capacity needed, work capacity per dollar of price, and the cost of doing the same amount of work with more labor and less machinery.

We believe that farmers themselves are the best judges of the work capacity they need in their farm machinery. They tell us their decisions through the sizes of machines they buy. Greater work capacity permits a farmer to do one or a combination of two things: work more acres per hour and per day, or to work the same number of acres in less time, thereby reducing exposure to one of his major risks, bad weather. Sometimes the availability of greater than normally needed work capacity means the difference between a crop and no crop at all. In such cases the value of the greater capacity is equal to the value of the entire crop.

Work capacity of farm machines is difficult to measure because it differs according to weather and soil conditions and varieties of work being performed. The best measure, for instance, of a tractor's capacity is horsepower. Frequently attempts are made to express capacity and prices of machines in terms of bushels of wheat. Such measures fail to take account of the increases of productivity which are provided by the machines. A much better measure of

price, in terms of machine capacity to work, therefore, is savings of man-days of labor, as shown in data sheet No. 9. The price of a 1960 John Deere tractor compared with a 1950 tractor of approximately the same horsepower has declined 15 per cent when expressed in number of man-days of labor required to buy the tractor. On this same basis the price of a plow increased 8% in man-days, but the baler decreased 26% in man-days. In addition, the 1960 baler is a much more efficient and productive machine. In planning his capital expenditures, every farmer must take all of these various factors into account in order to get maximum return for his various resource inputs. In recent years when farm labor has been one of the most costly resources to obtain, consideration of machine prices in man-day labor equivalents is most significant.

Much of our presentation today can be summed up and perhaps emphasized by tracing the wholesale prices and product improvements of one of our John Deere tractors over the years. The information to which I shall refer is contained in the booklet before you, "Facts About John Deere Tractor Wholesale Prices." The booklet presents in considerable detail the story of a specific series of John Deere tractors. This series began as a model B in 1935 and became the Model 2010 late last year.

The wholesale price of the original 1935 Model B tractor was \$733 including rubber tires, electric starter and lights, and a two-piece front pedestal, had all of these items then been available. These items and many other new ones are now part of the standard equipment on Model 2010 tractors. If no change had been made in the original Model B so equipped, it would have to be priced in today's dollars at \$1644 because of the decline in the purchasing power of the dollar. The present wholesale price of the Model 2010 tractor with like equipment, successor to the model B, is \$2122 or only 29 per cent more than the model B's original price 26 years ago stated in terms of current dollar values. But this 29 per cent increase in real prices has been accompanied by a 215 per cent increase in drawbar horsepower, a 168 per cent increase in belt horsepower, and an 87 per cent increase in weight. We call your attention especially to the "summary comparisons" which appear at the lower right hand corner of the next to the last printed page of the booklet. Please notice that between 1935 and 1961 the cost per drawbar horsepower declined 59 per cent in real dollars and during the same period the cost per pound of the tractor declined 31 per cent in real dollars. However, in current dollars, the cost per pound of the tractor increased from 30¢ to 46¢ or 53 per cent, while the wholesale price of iron and steel in the U. S. as reflected by the U. S. bureau of labor statistics index of wholesale prices increased nearly 200 per cent.

The model 2010 tractor can do much more work than the original model B—oftentimes double or more. It can pull three 14 or 16 inch plow bottoms compared with the model B's one 16 inch plow bottom. The model 2010 can pull a 9-foot *double-action* disc harrow as against the model B's 10-foot *single-action* disc—nearly double the amount of work. The model 2010 can plant or cultivate four crop rows at a time instead of the model B's two rows.

Changes made in the model B during its transition to the model 2010 tractor have been such that it is now more than the equivalent in belt horsepower of the model G, the largest row crop power size in our line only ten years ago, and is only about \$100 higher in price.

These comparisons show as plainly as anything can that, horsepower size for horsepower size, our wholesale tractor prices have increased very little in recent years.

Now, I would like to get away from the brief and refer you to the group of papers which you have, starting with the one headed wholesale prices versus

maximum PTO horsepower. The purpose in presenting you gentlemen with these sheets is simply to show you the wide range of prices which a farmer has when he goes out to purchase a tractor or any other machine.

As an example, on this first one, in the bottom line is the horsepower and then at the left-hand side, reading up, are the dollars. If you look over to the point where it shows approximately 50 horsepower you will find that there are several tractors in there which the man can buy. Incidentally these tractors all are equipped pretty nearly alike—as nearly alike as we can make them.

Mr. HORNER (*Acadia*): Is this drawbar horsepower or belt horsepower?

Mr. CONNELL: Belt horsepower—PTO horsepower. There are four or even five tractors there from which he can select. He does not have to pay the highest price. He pays a higher price for some tractors because he may like something about that tractor; there might be a comfort feature which he likes or some other functional feature. He is willing to pay for that. In the industry we do not have only one tractor price for the same kind of tractor.

Glancing over at the next pages you will see tricycle diesel tractors and tricycle gas tractors. On page 4 there is one in which you are not interested—cottonpickers; but over on the left hand side you will see cornpickers, and in certain areas perhaps these are quite important. If you look at the grey shaded area above you will see the range of prices of the various products. It shows that in respect of the machines which supposedly are comparable in quality and do the same kind of job there is really no relation at all in price. They are in the same general area, but as to individual machines they differ in price.

On the last page we have combines and forage harvesters. You will see the same general situation prevailing there. There is really nothing in the way of a set price for any machine; the range is too great for that.

I wanted you to have this information because I thought it would be of interest to you.

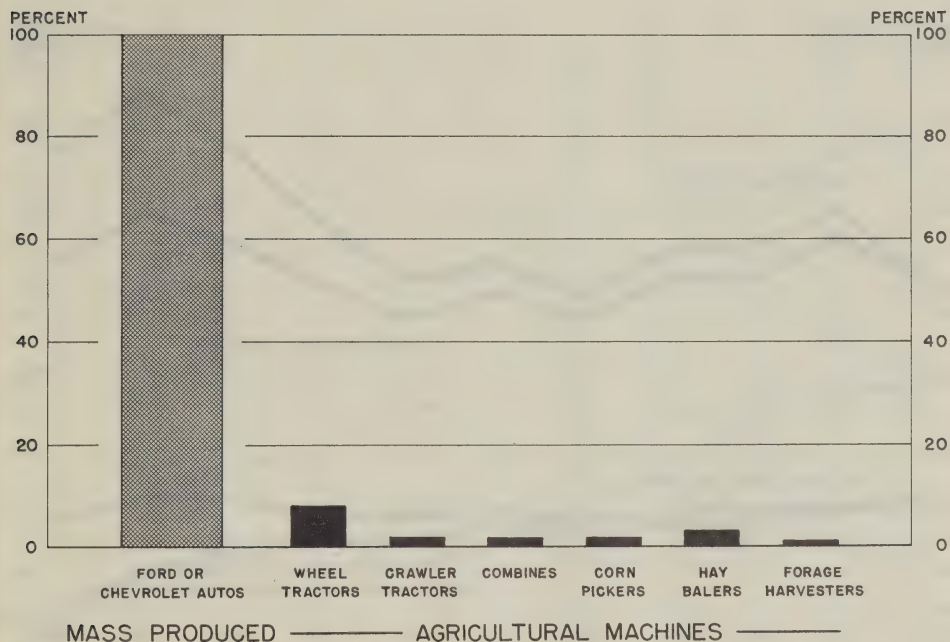
I would like to mention one other sheet, because the next paragraph of the brief is the concluding remarks. As you will recall when we were here back in the early part of May, you wanted some information concerning the cost of our various machines. We have given you the cost of a tractor, a combine, a baler and a spreader. We have also given you the cost information percentage-wise on a tiller, because that is a machine made in our Welland plant. None of the other machines were produced in Canada. We wanted you to have one based on our Welland plant. I think you will find that this is made out in the way in which the committee asked. I hope that it will be of some help to you.

In conclusion, may we say that all of us at Deere & Company are concerned about the problems you have been hearing about from farmers and their representatives. They are not new problems. Aside from a few exceptional periods they have been chronic ones during the 124-year history of our company. No one is more interested in having agriculture prosper than we are. Our livelihood depends upon it. We would like to stay in business for at least another 124 years, so if we could leave only one thought in your minds out of the great number of facts and figures we and others have given you it would be this: John Deere people are acutely aware that the surest way to work against their own best interests is to overprice their products or to deliberately reduce quality or service.

(Editor's Note: The following are the supplementary data sheets and charts:)

DATA SHEET NO. 1

COMPARISON OF PRODUCTION OF SELECTED FARM MACHINES
WITH PRODUCTION OF CHEVROLET AND FORD AUTOMOBILES
IN THE U. S. A.



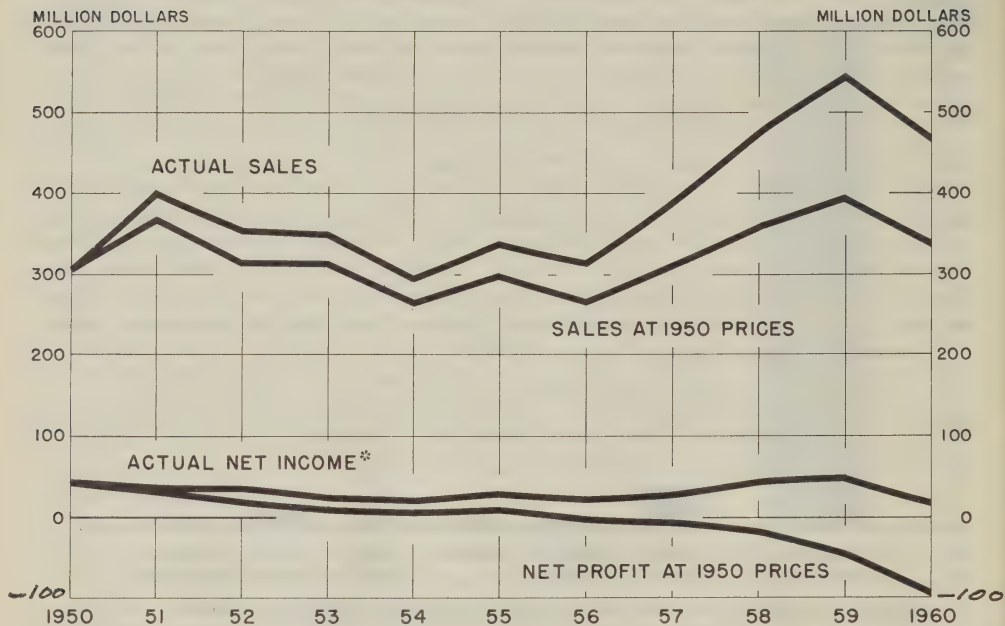
	Total 1960 Farm Machinery Production (units)	Farm Machinery Production as a Percent of 1960 Automobile Production	
		Chevrolet ^{1/}	Ford ^{2/}
Wheel Tractors	146,499	7.8%	8.6%
Crawler Tractors (Ag. and Non-Ag.)	38,416	2.1	2.3
Combines	28,615	1.5	1.7
Corn Pickers	40,014	2.1	2.3
Hay Balers	47,298	2.5	2.8
Forage Harvesters	23,217	1.3	1.4

Sources: U. S. Bureau of the Census, U. S. Department of Commerce;
Automotive Industries Magazine

^{1/} Includes 1,614,312 Chevrolets; 259,276 Corvairs. Total, 1,873,588

^{2/} Includes 1,004,305 Fords; 505,428 Falcons; 198,031 Comets. Total, 1,707,764

DATA SHEET NO. 2

EFFECT ON DEERE & COMPANY NET PROFITS
IF SELLING PRICES HAD REMAINED AT 1950 LEVELS

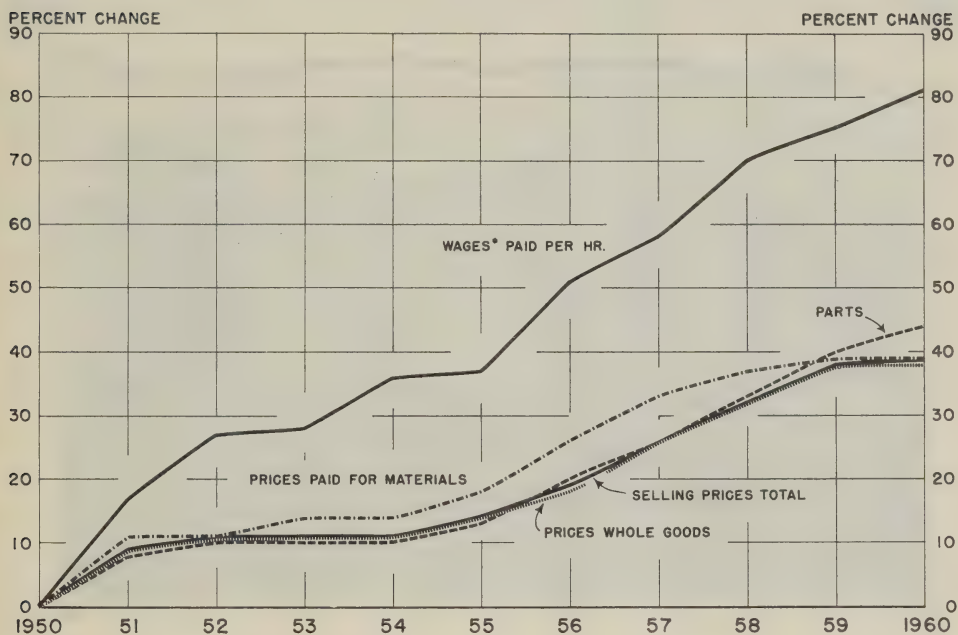
* NET INCOME AFTER TAX (ACTUAL NET INCOME)

	1950	1957	1958	1959	1960
	(millions of dollars)				
Actual Net Sales	307.8	388.1	472.6	542.5	468.5
Same Sales at 1950 Prices	307.8	308.0	358.0	393.1	339.5
Actual Net Income (after taxes)	42.8	28.7	42.1	48.5	17.8
Net Profit -- after taxes (Loss) at 1950 Prices	42.8	(9.7)	(20.0)	(47.4)	(97.2)

Source: Company Records

DATA SHEET NO. 3

CHANGES IN DEERE & COMPANY'S
SELLING PRICES, HOURLY WAGES, AND MATERIALS PRICES

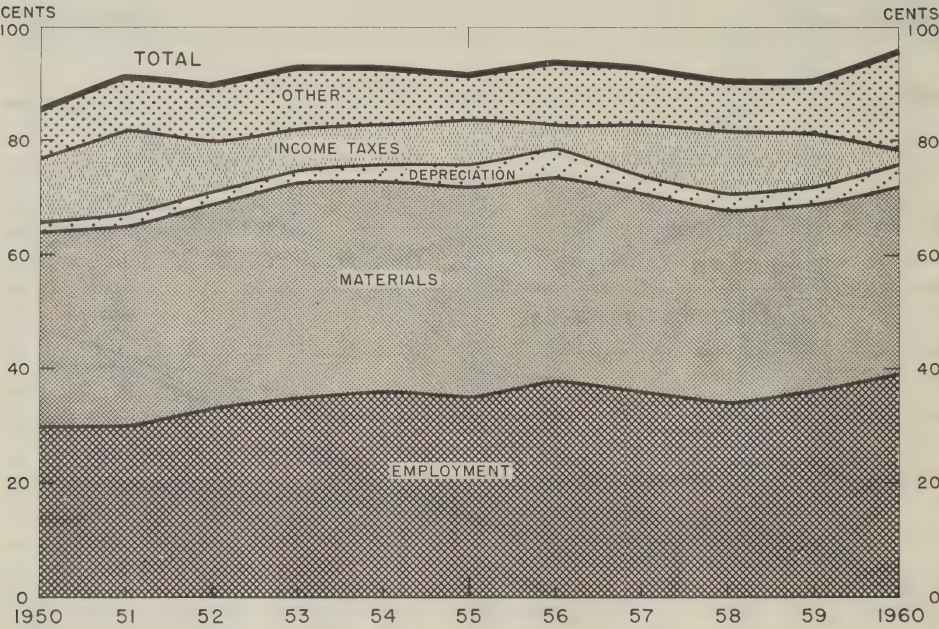


* AVERAGE RATE PER HOUR FACTORY WEEKLY PAYROLL PLUS FRINGE BENEFITS

	% Change since 1950			
	1957	1958	1959	1960
Selling Prices -- Total	+26%	+32%	+38%	+39%
Whole Goods	+26	+32	+38	+38
Parts	+26	+33	+40	+44
Hourly Wages (incl. fringe benefits)	+58	+70	+75	+81
Prices Paid for Materials and Supplies	+34	+37	+39	+39

Source: Company Records

DATA SHEET NO. 4
DEERE & COMPANY'S COSTS PER DOLLAR OF SALES

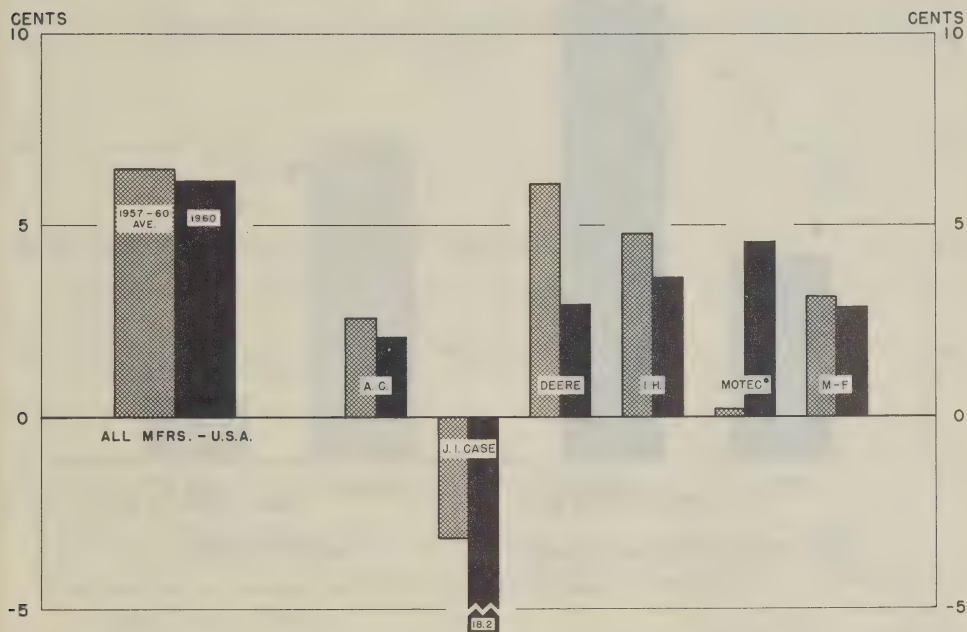


Type of Cost	Cents per Dollar of Sales				
	1950	1957	1958	1959	1960
Employment	30¢	36¢	34¢	36¢	39¢
Materials	34	35	34	33	33
Depreciation	2	3	3	3	4
Income Taxes	11	9	11	10	3
Other	9	10	9	9	17
TOTAL	86¢	93¢	91¢	91¢	96¢

Source: Company Records

DATA SHEET NO. 5

NET PROFITS PER DOLLAR OF TOTAL ASSETS
ALL U. S. MANUFACTURERS AND MAJOR FARM MACHINERY
MANUFACTURERS



*MOTEC - FORMERLY MINNEAPOLIS MOLINE

	1950	1957	1958	1959	1960	1957-60 Average
All Manufacturers - U.S.	10.2¢	7.1¢	5.7¢	6.9¢	6.2¢	6.5¢
Allis-Chalmers	9.2	3.8	4.2	4.3	2.1	3.6
J. I. Case	13.5	0.7	1.9	2.8	-18.2	-3.2
Deere	13.3	5.9	7.7	7.8	3.0	6.1
International Harvester	8.9	4.5	4.2	6.7	3.7	4.8
Motec (Minneapolis-Moline)	12.3	-6.5	-2.9	5.7	4.6	0.2
Oliver	7.3	0.5	1.4	3.0	NA	NA
Massey-Ferguson	12.9	1.6	3.6	4.5	2.9	3.2

Sources: Federal Trade Commission, U.S.A.; Securities and Exchange Commission, U.S.A.; individual company annual reports

DATA SHEET NO. 6

FARM MACHINERY MARKETS



1959

High-Production Farms

(Value of Products Sold = \$5,000 or more)

Number of Farms	1,447,000
Percent of All Farms	39%
Value of Products Sold	\$24,880,000
Percent of Value of All Products Sold	88%
Average Value of Products Sold per Farm	\$ 17,100

Other Farms

(Value of Products Sold = less than \$5,000)

Number of Farms	2,257,000
Percent of All Farms	61%
Value of Products Sold	\$ 3,490,000
Percent of Value of All Products Sold	12%
Average Value of Products Sold per Farm	\$ 1,560

Source: 1959 Census of Agriculture, U. S. A.

DATA SHEET NO. 7

MACHINES ON HIGH-PRODUCTION FARMS -- U. S. A.
IN 1954

Wheel Tractors on All High-Production* Farms

Percent of such farms having wheel tractors	89%
Number of wheel tractors per farm on such farms which have tractors	2.0

Combines on High-Production* Cash-Grain Farms

Percent of such farms having combines	77%
Number of combines per farm on such farms which have combines	1.1

Corn Pickers on High-Production* Cash-Grain Farms which Harvest Corn for Grain

Percent of such farms having corn pickers	80%
Number of corn pickers per farm on such farms which have corn pickers	1.0

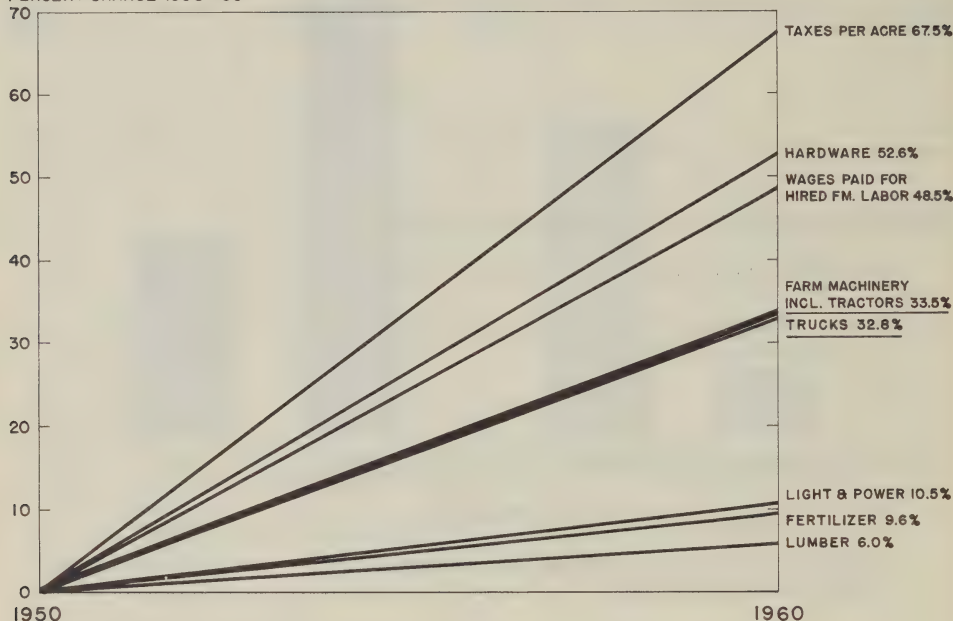
Source: 1954 Census of Agriculture, U. S. A.

*Farms for which value of product sold was \$5,000 or more

DATA SHEET NO. 8

PRICE INCREASES OF COMMODITIES AND SERVICES
PURCHASED BY FARMERS, 1950-1960

PERCENT CHANGE 1950-60

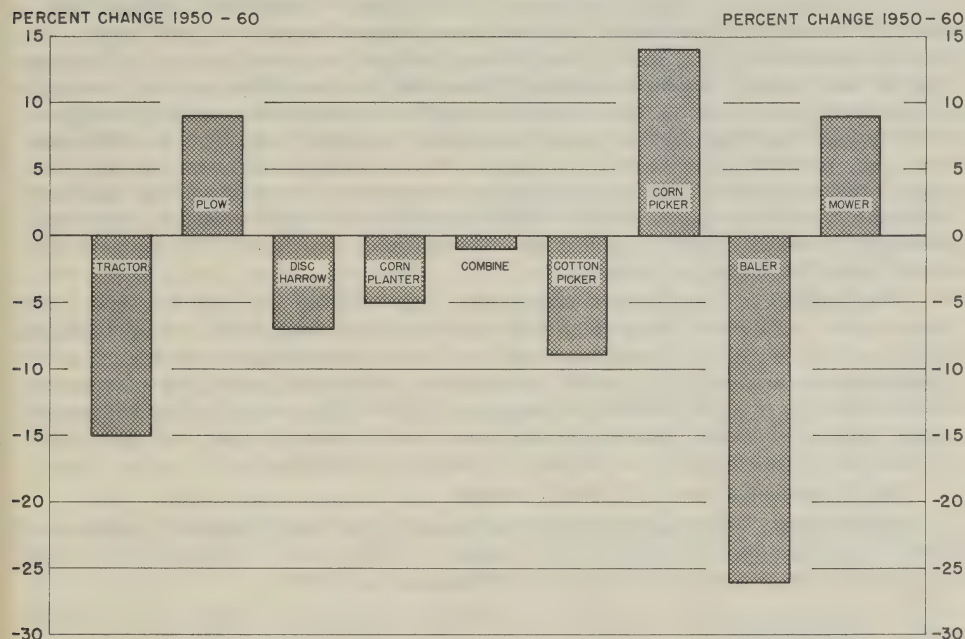


Commodity	% Increase since 1950			
	1957	1958	1959	1960
Lumber	+ 4.5%	+ 3.1%	+11.0%	+ 6.0%
Fertilizer	+ 8.6	+ 9.3	+ 8.1	+ 9.6
Electric Light and Power	+13.8	+ 9.4	+ 9.4	+10.5
Trucks	+28.2	+33.8	+36.3	+32.8
Farm Machinery, including Tractors	+20.7	+26.1	+30.7	+33.5
Wages Paid for Hired Farm Labor	+31.3	+35.1	+44.0	+48.5
Hardware	+44.4	+49.6	+51.5	+52.6
Taxes Paid per Acre	+37.5	+46.9	+55.0	+67.5

Sources: Based on U. S. Department of Agriculture, Index of Prices Paid by Farmers, and U. S. Department of Labor, Bureau of Labor Statistics, Wholesale Price Index

DATA SHEET NO. 9

CHANGES IN MAN-DAYS OF HIRED FARM LABOR EQUIVALENT
TO DEERE WHOLESALE PRICES OF SELECTED FARM MACHINES
1950-1960



Machine	Man-Days of Hired Farm Labor Equivalent to Machine Price		% Change 1950-1960
	1950	1960	
1. Tractor, 2-3 Plow	352	299	-15%
2. Plow, 3-bottom, 14", drawn	60	65	+ 8
3. Disc Harrow, 10', tandem, drawn	55	51	- 7
4. Corn Planter, 4-row, drawn	75	71	- 5
5. Combine, 12', self-propelled	801	797	- 1
6. Cotton Picker, 2-row, self-propelled	2,200	2,028	- 8
7. Corn Picker, 2-row, mounted	246	280	+14
8. Baler, pickup, wire-tie, pto	358	264	-26
9. Mower, 7', semi-mounted, pto	43	47	+ 9

Sources: U. S. Department of Agriculture
Company Records

Mr. CONNELL: Thank you, gentlemen.

The CHAIRMAN: Thank you, Mr. Connell.

Gentlemen, the meeting is now open to questioning.

Mr. HORNER (*Acadia*): My first question arises out of the set of tables which were distributed this morning with regard to what goes into making up the different costs of production in the various machines listed here. I notice in 1955 in respect of tractors that approximately seventeen per cent of the cost of making a machine was contributed to by either salary or weekly wages, but in 1960 this rose to thirty-five per cent. In your brief I believe you said something about the greater the labour component going into a machine the higher the rates. In your own figures here you will notice the labour component going into a tractor has doubled in those five years, lumping salaries and weekly wages together. Going back to the tiller, on the last page of the pamphlet, I notice that lumped together salaries and weekly wages in 1954 totalled nineteen per cent. I am figuring roughly here, but in 1960 again you have nineteen per cent. In other words in that period the labour component has remained relatively the same, whereas in respect of the tractor it has doubled. My question is this: how have the various prices in these commodities increased? Has the price of a tractor gone up faster in this period of years than, for example, a tiller?

Mr. CONNELL: I will have to answer this without having the full price information before me; but to the best of my knowledge and in my opinion there has not been a greater increase in tractor prices, shall we say, than in tillers, unless, as we did in 1960, introduce a completely new line of tractors. You were referring to the labour content in 1960. That was during the period of our change. I would like to go back to a more normal year and take 1959. In 1960 our plant was closed down for about five months.

Mr. HORNER (*Acadia*): I see that now.

Mr. CONNELL: We had terrific costs going on without producing tractors. I think you can appreciate that our costs would go up. Therefore I would suggest you look at the figures for 1959 instead of 1960.

Mr. HORNER (*Acadia*): Yes. The labour component in 1959 was not much higher than in 1955.

Mr. CONNELL: That is right. 1960 was an unusual year in respect of our tractors.

Mr. HORNER (*Acadia*): While I am on this subject, could you tell the committee what you mean by salary and weekly wages?

Mr. CONNELL: When we speak of plant labour, we are speaking of the total cost including fringe benefits. It is simply those who are on a weekly payroll and those on a salary payroll.

Mr. HORNER (*Acadia*): There would be no connection in respect of salary being more of an administrative type of labour and the weekly payroll being more of the actual production type of labour?

Mr. CONNELL: No. The administrative side of this would get down into the distribution where we have selling and general expense. I think it is referred to here as distribution expense. When we list the salaries plus wages and all fringe benefits we should combine plant labour and also combine distribution.

Mr. HORNER (*Acadia*): When there is an increase in salaries such as in the year 1960 are we to believe that all you are doing here is placing more and more men on a salaried basis every year? Would this be a proper assumption to draw from these statements?

Mr. DAIN: Generally speaking, Mr. Horner, over the past ten years the proportion of our total employment paid in the form of salaries has increased.

Mr. HORNER (*Acadia*): Just to follow that up, this would lead to the belief that the salaried person would be more permanent than, say, someone hired on a weekly or hourly basis. Would this be a proper assumption?

Mr. DAIN: It is a little difficult to distinguish because many union contracts, as you know, have security provisions in them that make lessened difference in cost between the continuity of employment for hourly people and salaried people. This difference is much less than it used to be.

Mr. HORNER (*Acadia*): But why would this change be made? Why would the increase be from weekly to salary? Why would the company prefer to increase the amount of salaried people?

Mr. DAIN: You really have to take that in two parts: Part of it relates to our efforts to reduce the labour cost per unit. This increase is necessary because of the rapid increase in hourly wages in the past ten years. To some extent we have been able to offset this by increasing our capital investment in machine tools, for instance, which increases our capital cost and decreases the labour cost. The increase in complexity of the business in terms of the number of machines we produce, the professional requirements such as those in various service departments, the time we have to spend on compiling statistics—all these requirements have increased substantially faster in the last ten years than they have previously. This requires more people to take care of this kind of service. We have not been as successful in controlling our total employment in this area as we have in the factory, let us say.

Mr. HORNER (*Acadia*): But I was lead to believe, sir, that in plant labour this other type of professional help, such as statisticians and economists, et cetera, would come under "other expenses" in the distribution. Here I am referring to "plant labour". Particularly in this item here, you have a relatively general increase in the amount of labour on a salaried basis.

Mr. DAIN: Plant labour, Mr. Horner, as far as the salaried payrolls are concerned, would include not only the clerical people, but would include all the salary payroll in our plant,—not just that related to production. It would also include the accounting people, sales force, the engineers and that sort of thing.

Mr. HORNER (*Acadia*): But the salaried people you are referring to here would be organized?

Mr. DAIN: No.

Mr. HORNER (*Acadia*): And then there is a definite split here—the weekly people would be organized labour and the salaried people would not be organized.

Mr. DAIN: Not entirely. You would find some plants where they would not.

Mr. HORNER (*Acadia*): But generally speaking?

Mr. DAIN: Generally speaking, yes.

Mr. HORNER (*Acadia*): I have further questions, Mr. Chairman, but I will let someone else ask some.

Mr. FORBES: Do you have much of your work done on a piece-work basis, or is it on an hourly basis?

Mr. DAIN: All the productive labour is done on a piece-work basis, yes.

Mr. HALES: In this weekly and plant labour salary between 1956 and 1957, you show a decrease of 4 per cent. From 1956 to 1957 you went down. How would you account for that?

Mr. DAIN: May I be sure which figures you are referring to? This is the tractor sheet you have?

Mr. HALES: Yes. In the sheet in 1956 and 1957 when you add the two, plant labour between 1956 and 1957, you drop 4 per cent in your labour costs.

Mr. DAIN: Yes, sir; 1956 is another distorted year because we had a 13-week strike in most of our plants during that year, so the costs were unusually high.

Mr. KNOWLES: I had a question in respect of the labour costs. I note in some of the labour magazines that they claim that the cost increase because of labour is not as great as some of the machine companies say, because they say their output is so much greater; so actually the labour cost is not as high and it is in some cases almost cut in half. I wondered what your argument was in connection with that?

Mr. DAIN: You have to look at that in two ways. There are actually two components in labour costs: one is direct labour of machine operators and men on the assembly line, for instance. Their statement has some validity with reference to those people. But as far as our company is concerned, and as far as the customer is concerned, you have to look at total labour costs for all the people required.

Now, as the number of people—let us call them direct labour—decreases over the years, it requires some increase in what we would call indirect labour. That is, people who transport materials in the plant, shipping, machine repairmen, and that sort of personnel. Thus, as the number of machines and the complexity of operation increases, it takes more people, and for that reason much of the gain we are able to make on direct labour is offset by increases in the other categories.

Mr. SOUTHAM: I have another supplementary question: We discussed a particular labour problem which you mentioned a moment ago, that over the last number of years you have had to increase your labour force, technicians, engineers, et cetera. I presume this was to enable you to run your business more efficiently. Have you pro-rated this increase to the over-all cost of your business, and how does it affect the total increase in cost per unit? Has it increased the cost per unit, or has this increase in efficiency tended to decrease the over-all cost to the producer of machines?

Mr. DAIN: The increase in efficiency, I would say, has tended to offset this factor somewhat. Where the balance is, is very difficult to say, but one offsets the other to some extent.

Mr. KORCHINSKI: I wonder if you would be prepared to give us the total, indicating the increase or decrease in staff from 1955 to 1960? Would you be prepared to give us that type of information?

Mr. CONNELL: We do not have that information with us, unless Mr. Dain has.

Mr. DAIN: I have it for the entire company in the United States and Canada.

Mr. KORCHINSKI: Well, these costs are related to the entire costs in the United States and Canada.

Mr. DAIN: Yes.

Mr. KORCHINSKI: That is fair enough.

Mr. DAIN: I can give it to you beginning in 1950, if you like.

Mr. KORCHINSKI: The more the merrier.

Mr. DAIN: I do not have it prepared. I can read it. If you would like to take these figures down, this is the total employment or number of people in Deere & Company for the United States and Canada, combined. I will read three figures for each year: (1) the hourly payroll; (2) the salaried payroll, and (3) the total.

Beginning in 1950 there were 17,687 hourly people, 7,419 salaried—a total of 25,106.

In order not to read too many figures, I will skip a number of years to 1955. In that year there were 14,083 hourly, 7,403 salaried, making a total of 21,486.

In 1960, 16,560 hourly employees, 8,907 salaried, making a total of 25,467. If you would like more years, I can read those to you.

Mr. KORCHINSKI: This is all right, except I wonder if you would be prepared to submit that as part of the evidence, including the other years?

Mr. DAIN: Yes. The figures are as follows:

DEERE & COMPANY
AND CONSOLIDATED SUBSIDIARIES
NUMBER OF EMPLOYEES

	<i>Hourly</i>	<i>Salary</i>	<i>Total</i>
1950	17,687	7,419	25,106
1951	18,869	7,729	26,598
1952	17,114	7,933	25,047
1953	15,918	7,762	23,680
1954	12,519	7,301	19,820
1955	14,083	7,403	21,486
1956	12,999	7,516	20,515
1957	14,324	7,623	21,947
1958	15,629	7,800	23,429
1959	18,690	8,596	27,286
1960	16,560	8,907	25,467

Mr. KORCHINSKI: I have a question on that same page. It does not deal with labour, so if anyone else has supplementary questions, I will pass mine off.

Mr. MILLIGAN: Well, Mr. Chairman, I am not clear on 1960. I notice your increase in salaries and plant labour is 36.1 per cent, when you add them both together, against 20.6 per cent of a high in 1957. Is that all due to the changes in your plant?

Mr. CONNELL: That is due to the fact that we were shut down, had no production and produced no volume out of that plant for quite a few months, with costs going on.

Mr. MILLIGAN: In 1960?

Mr. CONNELL: In 1960.

Mr. DAIN: It seems to me we have got to be clear about one thing. These figures relate to costs as a percentage of our selling price, and they do not relate to the total amount of all costs.

Mr. MILLIGAN: That is fine.

Mr. HORNER (*Acadia*): I have a supplementary question, following Mr. Milligan. Would this shutdown be because of the model changes that are referred to there?

Mr. CONNELL: That is correct.

Mr. HORNER (*Acadia*): I know a little bit about John Deere equipment, and you did make a drastic model change in 1960, did you not?

Mr. CONNELL: That is correct.

Mr. HORNER (*Acadia*): Far more than would constitute just a general model change that you would make over the years?

Mr. CONNELL: A complete re-tooling on this job.

Mr. HORNER (*Acadia*): Which is why there is such a sharp change. The reason I want to make this clear is that we have had evidence before us that model changes add considerably to the costs, but this was an unusually large model change that John Deere had in 1960, am I not right?

Mr. CONNELL: I would say that it is a completely new tractor, compared with anything that we have produced before.

Mr. HORNER (*Acadia*): What I want to make clear is that such changes that John Deere has brought about over the years have been really minor, compared to this.

Mr. CONNELL: That is correct.

Mr. SOUTHAM: Now a supplementary question to that, Mr. Chairman: Following this drastic change we are referring to, what will be the outcome? Will it give us a better machine and greater productivity, and give the farmers a greatly increased production, or is it more changes in your own machine manufacturing industry in comparison with other machine manufacturing companies?

Mr. CONNELL: No, it was developed in order to give the farmer a better machine, one which had more horsepower and which was functionally better and could do more jobs and do more for the farmer.

Mr. SOUTHAM: And could ultimately result in lower costs for the farmer?

Mr. CONNELL: That is correct.

Mr. KORCHINSKI: Since we are on that subject and my question related to that, in looking at this first page the percentage of plant depreciation for 1955 was 2.6, and in 1960 it was 6.1. Was it because of the vast changes in the molding, et cetera, or was it other changes in your plant that contributed to this greater increase, of almost two and one-half times, in plant depreciation?

Mr. DAIN: The answer to this has to be broken into parts. Part of it is because of the increase in the cost of the tooling itself. In the new tractor line we think that eventually the capital cost of that line will be higher than previously, and conversely, we hope that the direct labour costs will be that much lower. However, in this year, this 6.1 per cent is really affected by lower volume in 1960, so we do not expect this percentage figure to be representative of future years.

Mr. KORCHINSKI: How do you reflect plant depreciation in volume?

Mr. DAIN: We did not sell as many tractors in 1960. The depreciation cost is a fixed cost, and each tractor costs more per unit in terms of depreciation.

Mr. KORCHINSKI: On page 6 of this report you state the profit of all United States manufacturers declined from 10.2 cents per dollar to 6.5. My question is: How much of this was real assets, or was there a reassessment in your plant value? In other words, let us say a machine plant is worth \$1,000 in 1950, and by reassessing your valuation in 1961, it can be worth \$1,500. How much of this was in real value added to the plant, or how much added by means of reassessing?

Mr. DAIN: United States accounting practice requires that all capital assets be valued at their cost, less depreciation. There is no write-up.

Mr. KORCHINSKI: In other words, there is no current increase in that?

Mr. DAIN: No.

Mr. THOMAS: I have several general questions, Mr. Chairman. The first has to do with whether these gentlemen have the figures on the balance of trade between Canada and the United States as far as their operation is concerned. Do you have figures indicating how much of your John Deere machinery produced

in Canada is exported, and how much of your machinery, dollar-wise, sold in Canada is imported?

Mr. CONNELL: Yes, I think we covered that in the brief, and also in some remarks that I made.

Let us first take our Welland plant. I covered that in an aside. Our Welland plant ships approximately 65 per cent of its product into the United States, 30 per cent to Canada, and if we were to take that and turn that around, for Welland into Canada it would be somewhere in the neighbourhood of \$3 million that goes into Canada from our Welland plant.

Mr. THOMAS: That goes into Canada?

Mr. CONNELL: Goes into Canada, and the other 5 per cent goes overseas.

Mr. THOMAS: Could you put that in dollars? \$3 million goes into Canada.

Mr. CONNELL: Very well. I will have the figures for you in just a second. About \$5.8 million would go into the United States, and about \$2.6 million or \$2.7 million would go into Canada, and about \$500,000 go for export overseas.

Mr. THOMAS: Is the Welland plant the only one where you manufacture in Canada?

Mr. CONNELL: Yes, that is the only plant.

Mr. THOMAS: What would be the volume, dollar-wise, of the equipment which you import into Canada for sale?

Mr. CONNELL: I think we covered that in the brief. It would be \$39 million less \$2.7 million that I gave you. Let us say, roughly, that it is \$36½ million.

Mr. L. KELLOGG (*Economist, Deere & Company*): You are thinking of goods coming in from the United States?

Mr. CONNELL: Yes, goods imported; there is nothing which comes in from overseas.

Mr. THOMAS: If the North American machinery market is considered as a whole, where would be the most convenient and economical geographic location from which to supply the market?

Mr. CONNELL: That is a good question. I can only answer it by giving you an opinion. It seems to me that the midwest, where most of our plants are presently located, is just about in the centre of the area from which it is easy to get to any point in the United States, and to a good many points in Canada.

Mr. THOMAS: The brief indicates that an increase in volume of production would tend to decrease the price of the product. Would a decrease in wage rates in Canada tend to increase the scope of your John Deere operations in Canada, that is, manufacturing?

Mr. CONNELL: If you mean whether our costs of building machinery would be reduced, by reason of labour costs reducing, I would say that if this influence were brought about, there would be a good possibility that there could be a reduction in price, provided that other costs did not offset them.

Mr. THOMAS: Then, conversely, would an increase in Canada, including an increase in labour or wage rates, tend to decrease the scope of your manufacturing operations in Canada?

Mr. CONNELL: I think it might well do so, because, undoubtedly, it would necessitate a price increase, and if the prices became higher, I think we perhaps might lose some volume by reason of that.

Mr. THOMAS: Your profits in 1960 are stated to have been between six and seven per cent.

Mr. CONNELL: I did not get the first part of your question.

Mr. THOMAS: Your profits in 1960 are stated to have been between six and seven per cent. Is that correct?

Mr. DAIN: Upon assets, relative to assets.

Mr. THOMAS: Yes, it states here, where you speak of profits—I did not look at the page; yes, it is on page six.

Mr. DAIN: That is our 1957 to 1960 average.

Mr. THOMAS: Yes, it averages 6.1 cents. Would that be computed before or after corporation taxes are paid?

Mr. DAIN: After taxes.

Mr. THOMAS: You say after taxes?

Mr. DAIN: Yes.

Mr. THOMAS: And that would be available for distribution to the shareholders.

Mr. HORNER (*Acadia*): Mr. Chairman, I have a supplementary question on profits. In your sheet number three of the supplementary data you have a graph with regard to selling prices, hourly wages, and materials prices. I wonder what your profit would look like on a similar graph. Would it be going up from 1950 to 1960? You said 1959 was the best year since 1950. Would this run parallel?

Mr. DAIN: It would look something like a limp clothesline.

Mr. HORNER (*Acadia*): In other words, they were high in 1950 and they fell during the middle period, and came up again in 1959?

Mr. DAIN: Yes, that is right. It took a much greater volume of business at the end of that period to produce the same total profit that they had at the beginning of the period.

Mr. HORNER (*Acadia*): I have a further supplementary question. On chart number two of the same pamphlet, you distributed, you have a list of your sales in constant 1950 dollars.

Mr. DAIN: Yes.

Mr. HORNER (*Acadia*): I am led to believe from this that your volume of sales at constant 1950 dollars, has remained relatively stable in that whole period of 1954 to 1956, and that it reached a higher peak in 1959. Am I right in that?

Mr. DAIN: Yes, that is right.

Mr. HORNER (*Acadia*): This would be your volume of production, relatively?

Mr. DAIN: That is true.

Mr. THOMAS: I wonder if the witness could give us the amount of capital invested per employee.

Mr. DAIN: We could compute it.

Mr. CONNELL: I could give it to you within just a few dollars.

Mr. THOMAS: That sounds pretty good.

Mr. CONNELL: This will be as of October 31, 1960, which are the last figures I have. It was approximately \$27,000 per employee.

Mr. THOMAS: Where are the foreign plants that are mentioned on page two, and which produced about 10 per cent of the total of the John Deere products? Where are they located?

Mr. CONNELL: We have a plant in Mannheim, Germany, and also in Zweibrucken, Germany. We have one in Monterey, Mexico, and we have an assembly plant in Rosario, Argentina. These are our foreign operations aside from Welland.

Mr. THOMAS: And the second one you said was where?

Mr. CONNELL: It is in Zweibrucken, Germany.

Mr. THOMAS: You say in Germany?

Mr. CONNELL: That is correct.

Mr. THOMAS: You have two in Germany?

Mr. CONNELL: That is correct.

Mr. MILLIGAN: Do you manufacture all machines in Welland, or just some particular line?

Mr. CONNELL: No. We—perhaps Mr. Dain has a list.

Mr. THOMAS: Would your company manufacture a full line? You have a plant in Mexico, and you have an assembly plant at Rosario, Argentina.

Mr. CONNELL: Well, Rosario is more than an assembly plant. No, we do not manufacture a full line of goods in Mexico.

Mr. THOMAS: But you do some manufacturing?

Mr. CONNELL: That is correct.

Mr. MILLIGAN: Might I have a list of the machines you manufacture at Welland?

Mr. DAIN: I will give it to you. For the year 1950 Welland made tillers, seeding attachments, grain and corn binders, field cultivators, and grain drills.

This year, in 1961, it includes tillers, and seeder boxes, harrows, wagons, windrowers, power hoes, snow plows, "gyramors"—this is a rotary cutter—log arches, bulldozers, and loaders.

Mr. CONNELL: There is one other item which we have not mentioned. That is side-booms. That is an industrial product.

Mr. DOUCETT: I would like to ask the witnesses about the dominion bureau of statistics wholesale price index for iron and its products, which takes the basis of 1935 to 1939, as 100 per cent. In the last ten years, 1949 to 1960, it increased 45.8 per cent. Labour over a similar period increased 99.3 per cent, and taxes 268.5 per cent. Those are figures which we were given the other day. I was wondering how they would compare with your experience over a similar period of time in Canada, of course?

Mr. KELLOGG: You are using a basic period of 1935 to 1939.

Mr. DOUCETT: That is right, as a basis of the 100 per cent, and the increase was from 1949 to 1960.

Mr. KELLOGG: I do not have precisely that same comparison, but on the data sheet which we gave you as number eight, we have 1950, which is almost the same.

Mr. DOUCETT: Yes, that is close enough.

Mr. KELLOGG: Number eight—this is for the United States; this is what you asked for? You asked for a comparison with the United States?

Mr. DOUCETT: No, I was asking for a comparison with Canada, but you may give it. I asked how your figures compared in Canada with these figures?

Mr. KELLOGG: We do not have that.

Mr. DOUCETT: Could you give them for the United States?

Mr. KELLOGG: You mean our increase in the United States. I do not have it either. We have an index which is based on our own prices that we pay for a great variety of goods. On sheet three we have given our total prices, but we have not given a breakdown of them.

Mr. DOUCETT: You would not know what the percentage of increase was on iron and its products?

Mr. KELLOGG: No, but we could get it. We do not have it here.

Mr. DOUCETT: Or for wages either, or taxes? Could you give us the three of them?

Mr. KELLOGG: This is for Deere & Company increases?

Mr. DOUCETT: Yes, for iron and its products.

Mr. KELLOGG: Iron and steel and taxes.

Mr. DOUCETT: Yes, and wages of employees and taxes.

Mr. KELLOGG: We have given our increase in wages in sheet number three.

Mr. DOUCETT: For what period?

Mr. KELLOGG: On sheet three the data are with respect to wages paid per hour, 1950-60, including all our fringe benefits: these are the increases we have paid, and it shows an increase there of 81 per cent.

Mr. DOUCETT: For what?

Mr. KELLOGG: For wages.

Mr. DOUCETT: Over a period of ten years?

Mr. KELLOGG: That is right, 1950 to 1960.

Mr. DOUCETT: That is a 19 per cent difference. What would the average rate be per hour?

Mr. KELLOGG: It is about \$2.50; the total is about \$3.50, and the \$1, difference, is accounted for by fringe payments.

Mr. DOUCETT: You say \$3.50?

Mr. KELLOGG: Approximately.

Mr. DOUCETT: With \$1 for fringe benefits?

Mr. KELLOGG: Yes. These are rough, just approximate figures.

The CHAIRMAN: We shall adjourn now to meet again at 2:30 in this same room.

AFTERNOON SITTING

MONDAY, May 22, 1961

The CHAIRMAN: Gentlemen, at adjournment time I believe Mr. Doucett was asking some questions of our witnesses. Were you finished, Mr. Doucett?

Mr. DOUCETT: Yes, for the present. I do not want to monopolize the time of the committee.

The CHAIRMAN: Mr. Korchinski?

Mr. KORCHINSKI: On page 2 of your brief you indicated in 1960 the number of tractors produced in your industry, and stated that it was only about 8 per cent of the number of Chevrolets and Corvairs, et cetera. Do you not think this is a fair percentage of the market, considering that, in the United States, I think only 8 per cent of the people are involved in agriculture, and in Canada only 11 per cent are involved in agriculture, so that if you have 8 per cent that is about all you can hope to get. The automobile industry, for instance, has the whole country as their customers. Do you not think it is a fair comparison?

Mr. KELLOGG: I think the point we are trying to make is that, compared with these mass production industries, farm machinery is not mass production. It was not whether the percentage was too big or too little, but that here we have, of all farm machinery, of all tractors, only 8 per cent of these two mass production automobile companies in terms of their production, and this 8 per cent is comprised of eight companies against either Ford or Chevrolet. So that 160,000 tractors produced, for instance, last year in eight companies, we wanted to point out is not really mass production in the usual sense.

Mr. KORCHINSKI: I understand what it is all about, now. My next question is in relation to some of the statistics given to us this morning. I noticed in 1950 you had a working staff of 25,000, in 1960 you go up to 27,000, and in 1955 you had 21,000. I wonder if it is fair to assume, then, that you have been increasing your line of production, or what has accounted in the increase of the staff, for example, from 1950 to 1960? There may have been ups and downs; but as I notice, because I can see in 1955 there were 21,000—is this a result of automation, that there was a drop, and then perhaps an increase in an expanded market? What has accounted for this? I think if we had the whole ten years before us, we might be able to understand more fully.

Mr. DAIN: In 1954 and 1955, which is the middle of that ten-year period, there was a low point in both sales and production which, of course, influenced the total employment. In 1950 there was relatively high production, and in 1960 it was relatively high. In 1954 and 1955 production was much lower, relatively, than those two end years.

Mr. KORCHINSKI: So that automation has not really resulted in too many people being laid off, or fewer employees?

Mr. DAIN: It is really difficult to say, because you would have to be able to measure how many people you would have had in 1960 if we had not made increases in automation, as you call it, or invested more money in machine tools, et cetera, during the ten-year period. We really have no way of knowing.

Mr. KORCHINSKI: But can you give us any idea as to how your line of production has expanded, how many more machines, or something of that nature? Can you give us some idea as to how the plant has expanded in its operations?

Mr. CONNELL: I am afraid I cannot answer that directly. In the ten years we have, I know, introduced many new machines; but frankly I cannot tell you how many. I just do not know.

Mr. MILLIGAN: Has automation reduced the number of employees, or has it more or less stepped up your production with the same number of employees?

Mr. DAIN: There, again, sir, you would have to know how many people we would have today if we had not made the increased investment in tooling, and I find it difficult to estimate. But I think it is safe to say that we would have more factory production workers now, for our present volume, if we had not made investments in capital during this ten-year period.

Mr. MONTGOMERY: Could I follow that up with another question on the same point? To what extent could the farm machinery production in your Canadian plant be mechanized or subjected to automation?

Mr. DAIN: This is tied in with the first question about mass production. There is a very definite limit to the amount that you can invest in capital when your production runs on any particular machine are low. Where that limit is depends upon the market for each particular machine, and is hard to generalize about. For that reason, we cannot go as far as the automobile companies, for instance, in substituting machine tools for labour, because the production runs are too small to make the investment in that additional tooling pay off.

The CHAIRMAN: Did you have a supplementary question, Mr. Doucett, along the same lines?

Mr. DOUCETT: Yes. When we adjourned this morning, I was asking a question about the increase in cost of materials, labour, taxes, et cetera, and the last question answered, I think, was the average labour cost as \$3.50 an hour, \$1 of which I understood went for the fringe benefits. I was wondering if it was possible to tell us if the fringe benefit costs have gone up proportionately with the labour costs; also, what do the fringe benefits cover?

Mr. KELLOGG: Let me divide this question: First, the straight time, or regular straight-time hourly earnings: In 1950—if we could take two points

again—in 1950 the rate was \$1.53 and in 1960 it was \$2.54. Now, that is straight-time hourly earnings. That is an increase of \$1.01. Now, when the straight-time rate was \$1.53, the total employment cost which took account of the fringes—and I will describe those in a minute—was \$1.95. It has now risen so that in 1960 it averaged \$3.53. The difference between \$1.53 and \$1.95 was 42 cents, and the difference now is \$1. So, the total of the fringe benefits has gone up more than 100 per cent.

The difference between the straight-time hourly earnings and the total employment costs per hour, per worker, is due to a number of factors. It includes all of the compensation paid to workers, plus the benefits for pensions, social security taxes, accident compensation, group life insurance, supplementary unemployment benefits, health and accident, plus holidays, vacation pay, bonuses, and plus overtime and penalty pay. It includes all those things.

Mr. DOUCETT: Those are all in the United States; but you would not be paying all those benefits in Canada, would you, in your factory here?

Mr. KELLOGG: We pay all of them. When I say all of them, I am not sure about each one; but we pay most of them here at slightly different rates. We do not have figures for Welland on this basis, but I think if we were to compare them with our Canadian rates, they would show that the Canadian rates were considerably behind this at the start, but that they have, during the ten-year period, tended to catch up. In other words, they have even risen at a faster rate—which they are bound to do, because as our rates in the United States go up, it is clear that Canadian rates will also move up at approximately the same rate, I would think, or, as in this case, a little faster.

Mr. THOMAS: A supplementary question, please. Can you give us the current comparative figures? These, I take it, are in the United States?

Mr. DAIN: Yes.

Mr. KELLOGG: Yes, these are the total factory figures, and this includes Welland.

Mr. THOMAS: This is the over-all?

Mr. KELLOGG: Yes.

Mr. THOMAS: You have not got Welland separate?

Mr. KELLOGG: No, I have not.

Mr. THOMAS: What I want is a comparison between the American rate and the Canadian rate.

Mr. MILLIGAN: I think one of the companies suggested their average rate was \$2.19. Would that compare with your rate in your Welland company?

Mr. DAIN: I have some figures I can give you about the comparisons on an annual basis, if that would help, or I can give you the percentages between the United States and Canada, which I think you want—not specifically Welland, but the entire Canadian operation. In the early part of the period, let us say 1950 and 1951, Canadian salaries were about 66 to 67 per cent of the United States salaries. The hourly costs on an annual basis in Canada were about 72 per cent of the United States rates. In the last couple of years the Canadian salary per employee is about 85 per cent of the United States.

Mr. DOUCETT: How do you differentiate between the hourly pay and the salary? You give one as salary, and the other as hourly pay. Is that the difference between the salaried men and the office men?

Mr. DAIN: It would include everybody who is paid on a salary basis, such as clerks, and so on. The comparable figure for the hourly people would be approximately 90 per cent, from 87 per cent to 90 per cent of the United States figure. This is without fringes, however. I do not have the figures with the fringes added in.

Mr. FORBES: When was your plant established at Welland?

Mr. DAIN: Deere & Company bought that plant when the present corporation was put together in 1911. My grandfather started the plant in 1906 or 1907.

Mr. FORBES: What equipment do you make there? Do you make tractors there?

Mr. DAIN: No sir. The tractors are all made in the United States.

Mr. FORBES: Do you make combines there?

Mr. DAIN: Combines are all made in the United States.

Mr. FORBES: Do you make balers there?

Mr. DAIN: At Welland we make tillers, harrows, wagons, windrowers, power hoes, snow plows, "gyramors", log arches, and so on.

Mr. FORBES: Do you make bulldozers?

Mr. DAIN: Yes.

Mr. FORBES: Those bulldozers would be for heavy industrial equipment use?

Mr. DAIN: Yes, and we sell some for agricultural purposes.

Mr. KORCHINSKI: How does the cost of materials in your Welland plant compare with the cost of your United States operations, for example, in the case of steel?

Mr. DAIN: I could not answer specifically; I would assume it would be approximately the same. There would not be too much difference.

Mr. KORCHINSKI: I notice in your percentage of cost, under selling price for example, that with the exception of the tractors, the combines, the balers, and so on the percentage of cost of materials is lower. Is that attributable to the fact that there is less material used in each one of these machines, or is it relative, and that the cost of the material you use is not rising as fast, for example, as your salaries and so on, or other expenses?

Mr. DAIN: That is very difficult to say unless you took a particular machine and analysed it more deeply than I am able to do it. It could only be accounted for by changes in quantities and materials, or types of material, because the prices of materials have gone up.

Mr. KORCHINSKI: If you wished to use any one of these, for example, such as a combine—use that one, for example?

Mr. DAIN: This percentage does not mean that the total cost of the materials did not rise in the period 1954 to 1960.

Mr. KORCHINSKI: I understand; but the fact that as a percentage of total cost it has not risen as rapidly as some of the other factors which go into the final cost. I would like to know if there is less material? Is that an assumption in the cost?

Mr. DAIN: It would, if we had different types of material that are of lower cost than in the earlier period.

Mr. KORCHINSKI: Let us take the tractor, for example. That has risen in the one year, 1960. Is it because you have gone into a new line of manufacturing, and this has contributed to a different type of material which may be costly?

Mr. DAIN: The tractor figure is distorted by last year's shut-down. But the comparable 1959 figure is not very different.

The CHAIRMAN: Are there any further questions?

Mr. GUNDLOCK: On this item of plant depreciation, I notice it apparently drops. Take the tractor, for instance, which goes from 2.4 down to 1.8 and

up to 6.1; and over here on the combine, I realize the reason is that it is a different plant.

Mr. DAIN: All the depreciation of the fixed assets on the plant and buildings, the machine tools, the dies, the jigs, and so on—they would vary from one type of machinery to another.

Mr. GUNDLOCK: This morning I think you said in answer to a question on the first page in relation to tractors, that it was the cost of depreciation and later on you said you were required to separate your costs and depreciation, that is, according to the audit procedures in the United States. I am still a little mixed up on this. Are they costs and depreciation, or is it simply depreciation? If not, why did you not separate them? I do not understand that.

Mr. DAIN: I do not quite understand your question. This figure here is only depreciation, a portion of the cost, the cost of depreciation charged to this type of machine during the year shown. That is all that is in there.

Mr. GUNDLOCK: What is the difference between 1950 and 1960 then?

Mr. DAIN: In the tractor?

Mr. GUNDLOCK: No, in the same plant, the same tractor, 1.8 in 1959 and 6.1 in 1960. You explained that you were shut down and re-tooling and one thing and another. But why would the depreciation on just the plant jump like that?

Mr. DAIN: For two reasons: first, because we had a large investment in the tractor facilities, and the capital required to produce tractors; and secondly, we did not sell as many tractors in 1960, so each tractor we sold bore a higher percentage of cost.

Mr. MONTGOMERY: This figure is based on sales value, I understand.

Mr. DAIN: Yes, it is influenced by the sales volume; and any drop in sales volume would affect the pattern here, and it would go up in terms of percentage.

Mr. SOUTHAM: Following up the question of salaries and wages, my thought arises from the evidence we have had here in the committee, and in a brief which is to be presented by labour. In reading it over, it appears that they minimize or play down the labour factors of cost. Yet in looking over the table, it would appear in my estimation that they thought the increase in labour is definitely up, and that it would enter into the cost of machinery. Would you go on record as substantiating that point of view?

Mr. DAIN: If you look at the plant labour-weekly line for 1960, you will see that the weekly plant labour is approximately 15 percent of the cost of the tractor. When you add to it the total labour figures and include the salaried people, the total employment costs of all the people involved in our company in producing the tractor is approximately 26½ per cent. So it is a significant part of the cost of the tractor. I might point out too, that in this materials figure, there is a large amount of labour which is used by our suppliers. We are paying here for the labour of all our suppliers of basic raw materials; so the total proportion of labour cost in the tractors is very much higher than the 26½ per cent that I mentioned.

Mr. SOUTHAM: Some of the previous witnesses have broken these cost components down into about four basic items, such as materials, labour, salaries, plant maintenance and production costs, and have stressed transportation. In your total here, you do not specifically mention transportation. Under what group of figures does that appear? I am thinking of the movement of raw materials in connection with production. Would a particular group of figures cover that?

Mr. DAIN: Some of them would be in the plant labour weekly. That is wages paid to people within the plant who handle material in the plant from the receiving department to the shipping dock. The costs of shipping are included

under S.S. and G., and is a part of the salaries and wages figure. The cost of transporting material that we purchase—I am not just sure where that is, frankly. It is either in the materials or in this “Other” item of plant expenditures.

Mr. CONNELL: It is in the materials.

Mr. KORCHINSKI: What does S.S. and G. stand for?

Mr. CONNELL: Shipping, selling, and general expenses.

Mr. MILLIGAN: Would your freight traffic be charged to salaries?

Mr. CONNELL: That is for in plant stuff. The transportation costs of out-bound products are paid by the dealer.

Mr. MILLIGAN: That 26 per cent that you suggest for labour cost would include your transportation as well?

Mr. CONNELL: No, only the movement of materials inside the plant, because the cost of getting materials from suppliers to the plant is included in the materials.

Mr. SOUTHAM: I have another question, but I shall leave it until we come to the subject of credit and financing.

Mr. KNOWLES: I have another question that is related to the Argentina plant. Is it just an assembly plants?

Mr. CONNELL: That is correct, it is an assembly plant.

Mr. KNOWLES: I understood a while back, I either read it or someone told me,—that you could sell a lot more manufactured goods, or machinery and so on, if we were about 25 per cent lower in our costs, or in what we had to charge for it. I note that you say mass production is not too great a factor in machinery; but if you could increase your sales by one-quarter, that would be reflected very much in the price of the machinery, would it not?

Mr. CONNELL: You are referring specifically now to Argentina.

Mr. KNOWLES: Well, I am referring to our export markets in general; let us say, simply to South America.

Mr. CONNELL: If you are talking about Argentina, with which I have some familiarity, the tariff there is very high to bring anything in; so there are very few machines which can be imported into Argentina. They make their own plows, their own disc harrows, their own grain drills in Argentina, in small manufacturing plants. There are very few machines now brought in.

Mr. FORBES: On page four you say that these inventories are shipped to your dealers under a consignment arrangement under which the dealers need not pay for the machines until they are sold to the farmer. Does this policy apply to repairs and parts as well as to new machines?

Mr. TRIMBLE: No, it applies only to new machines. The repair parts must be purchased by the dealers.

Mr. FORBES: After that you say that it should be clearly understood that the prices we will refer to are wholesale prices. They are the prices which retail dealers pay us, not the prices they charge farmers. Is it your opinion that the dealer has too much of a markup between your wholesale price and his retail price?

Mr. TRIMBLE: I think in the dealer's brief the other day they attempted to prove that in their mark-up there was not too much left out of that mark-up. I do not think there are very many dealers getting rich. However, the good businessmen are improving right along.

Mr. FORBES: Referring to this new tractor you have brought out, do you manufacture all of it, including the motor, yourselves, or do you buy that motor?

Mr. CONNELL: No, we manufacture the motor, but I cannot say that we manufacture all the tractor, because like any other tractor manufacturer, we must buy certain components.

Mr. FORBES: You compare this tractor with model B. Is that right?

Mr. CONNELL: Yes.

Mr. FORBES: You compare this new tractor that you have brought out with the model B that you formerly sold?

Mr. CONNELL: Yes.

Mr. FORBES: And the price of the new one is \$2,122?

Mr. CONNELL: Yes.

Mr. FORBES: If you go back to 1958, your model B was number 520 or 620?

Mr. CONNELL: The 1958 model would be the 520 tractor.

Mr. FORBES: The price quoted here is \$3,739 less the price you charge to the dealer, according to the dealer's price book. Is that right?

Mr. CONNELL: I cannot tell you, because I do not have that price book.

Mr. FORBES: It is 1958, the number 520 in 1958, which you sold for \$2,083. I was trying to determine if your tractors were getting cheaper.

Mr. CONNELL: No, I do not think I can make that statement. What we have done here in our booklet is to take the tractor back to 1935 when we began with the model B and trace the development of that tractor up to the present day when we have the 2010. We went from the B through the 50, the 520, the 530, up to the 2010. Those tractors all were comparatively equipped. They are not a field service tractor. The 1935 tractor could do only certain jobs. If you were to buy the 2010 today equipped as was the model B in 1935 the price would be \$2,122 in today's dollars—these are wholesale and not retail prices. If on the other hand as we mentioned this morning you were to take this same model B which was built in 1935 and convert that to today's dollars, then the price of that tractor at wholesale would be \$1,644. In other words, today's price would be just twenty-nine per cent higher on a real dollar basis for a comparable tractor.

Mr. FORBES: So that the prices you are quoting in this catalogue are the prices of the skeleton.

Mr. CONNELL: Yes. That is on the old 1935 model B of which we were speaking a moment ago, with power takeoff.

Mr. FORBES: As you understand, the purpose of this committee is to determine why machinery is so high priced and has increased so rapidly over the last eight or ten years. If you could break this down and show us what the costs of the components are and the cost at retail price, then maybe we could determine whether your price or the dealers' mark-up is too great.

Mr. CONNELL: You have asked if the dealers' mark-up is too great. I think Mr. Trimble mentioned the fact that the mark-up is not.

Mr. KELLOGG: This does not quite answer the question, but in the summary on page 1, which I am sure you have seen, it indicates that the maximum drawbar power has increased 215 per cent while we have only had a twenty-nine per cent increase in the price, and a fifty-nine per cent decrease in cost per horsepower. There is a question of just what it is the farmer is buying. In terms of comparable dollars per horsepower the price has gone down a great deal. If a farmer wants to buy more horsepower concentrated in a single tractor, then the total of those horsepower gradually overtakes these increases. That is what has been accomplished in the 2010. It does represent a decrease in cost per horsepower of nearly sixty per cent, which is really quite a saving.

Mr. KORCHINSKI: What is the lowest horsepower rating tractor you manufacture?

Mr. CONNELL: Thirty-five horsepower; that would be our model 1010.

Mr. KORCHINSKI: Let us put it the other way. Back in 1935 did you manufacture a tractor with a thirty-five horsepower rating which was comparable to your 1960 1010?

Mr. CONNELL: I am not quite sure.

Mr. KORCHINSKI: I am wondering whether you could give us a comparison of the cost of a tractor in those days to your present 2010? I am trying to establish a horsepower rating—a comparison of the horsepower rating of a tractor between 1935 and 1961—and relate the prices between those two?

Mr. CONNELL: I do not have that information with me.

Mr. KELLOGG: At the bottom of page 12 we are comparing the model 2010 and the model B, but we also compare it with the model G which ten years ago was comparable in power and for the 2010. We have an increase of only \$100. That is not quite the same as your question, but is approximate.

Mr. SOUTHAM: Up to date we have had some interesting discussion on the providing of credit in respect of farm machinery. On page 4 of the brief we find this statement:

Many farmers buy their machinery on credit. Adequate financing for this purpose has not always been readily available in sufficient amount to farmers. As a consequence we have had to fill this need and this has required large amounts of capital. We have been extending credit to farmers for forty-two years.

In the course of the discussion this morning you said the cost of this financing for a twelve month period was approximately 9.95 per cent.

Mr. CONNELL: Simple interest.

Mr. SOUTHAM: That is a little less than one of the former witnesses testified. The thought comes to my mind that you people have been forced into the finance field. I suppose you have a subsidiary company?

Mr. CONNELL: Not in Canada.

Mr. SOUTHAM: But you do provide this financing here to Canadian farmers?

Mr. CONNELL: Yes.

Mr. SOUTHAM: Through your American subsidiary?

Mr. CONNELL: No; through the Canadian company. We do not have a separate finance subsidiary in Canada.

Mr. SOUTHAM: This 9.95 per cent would include not only the cost of financing, but I suppose also a little bit of a profit?

Mr. TRIMBLE: Yes sir.

Mr. SOUTHAM: On the basis of this I suppose if we could increase the amount of farm credit considerably it would relieve your company from having to provide so much financing and indirectly this should result in the lowering of the cost of the machinery to the farmer. Is that right?

Mr. TRIMBLE: Certainly through the F.I.L.A. if he borrows money at five per cent simple interest it would reduce his overall cost from what it would be if he borrowed at 9.95 per cent.

Mr. SOUTHAM: It seems to be an area in which the government of Canada might work in the not too distant future?

Mr. TRIMBLE: I think so; yes.

Mr. GUNDLOCK: A while ago I think it was stated that you had no out-shipping cost because the dealers paid the freight. Then later on you said the machinery was supplied to the dealer on a consignment basis. Does that mean

the dealer pays the freight on the consignment and that if he did not sell it he would send it back to you?

Mr. TRIMBLE: We actually pay the freight right to the dealer's door. The dealer pays the freight when he sells the machine. He collects the freight along with the price of the machine.

Mr. GUNDLOCK: If he does not sell it, what happens?

Mr. TRIMBLE: You mean if he does not eventually sell it?

Mr. GUNDLOCK: What happens if he does not sell it? Does the same thing apply in the case of repairs?

Mr. TRIMBLE: No. They are purchased f.o.b. branchhouse by the dealer.

Mr. GUNDLOCK: Are there any refunds?

Mr. TRIMBLE: We have a return policy which allows them to return a certain percentage of their purchases each year.

Mr. GUNDLOCK: Would you state that percentage?

Mr. TRIMBLE: Five per cent of his previous year's purchases.

Mr. GUNDLOCK: At full value?

Mr. TRIMBLE: No sir; there is a fourteen per cent discount on those parts—four per cent to cover the discount we figure he got and ten per cent to cover handling.

Mr. GUNDLOCK: To get back to my original question, what happens if that dealer does not sell the consignment; what happens to him?

Mr. TRIMBLE: If the machine does not sell in that particular district to which it was shipped it will be transferred to some other district where it will be sold.

Mr. GUNDLOCK: At your cost?

Mr. TRIMBLE: Yes.

Mr. KORCHINSKI: After a period of time does he have to pay interest charges on that type of machine if it is not sold?

Mr. TRIMBLE: No.

Mr. FORBES: How long can he keep the parts?

Mr. TRIMBLE: So long as the parts are on the returnable list.

Mr. FORBES: How long is that?

Mr. TRIMBLE: So long as the part is on a fast moving list.

Mr. FORBES: It could be within six months or one year?

Mr. TRIMBLE: No.

Mr. FORBES: Could it be within two years?

Mr. TRIMBLE: It could be. If we bring out a new machine, and bring out a list of parts, if he puts those into his stock and a sale pattern does not develop within two or three years, we will take them off the returnable list and he will have forty-five days to return those parts.

Mr. FORBES: Would you tell us the wholesale price of this new 2010 tractor at, say, Winnipeg, Manitoba?

Mr. CONNELL: Based on this \$2122 we show in the book?

Mr. FORBES: Yes.

Mr. CONNELL: It would be \$1697.60—I am sorry; \$2122 is the wholesale price. The freight would be added to that.

Mr. FORBES: To Winnipeg?

Mr. CONNELL: Yes.

Mr. KORCHINSKI: My question has to do with dealerships. Have you had

a reduction in the number of dealers in the last ten years, particularly in western Canada.

Mr. TRIMBLE: Yes; we have.

Mr. KORCHINSKI: Would you indicate how many dealers less?

Mr. TRIMBLE: I have the figures here. In 1951 we had 732. In 1954 that had increased to 819. From then on it has been reducing. In 1960 there were 608 for all of Canada.

Mr. KORCHINSKI: What about the western provinces? Do you have it broken down?

Mr. TRIMBLE: I have it broken down by provinces: Alberta had 219 in 1951; 166 in 1960; Hamilton 1953, 186; 1960, 177—In 1951, 217 in Regina, which is Saskatchewan, 1960, 143. In Manitoba in 1951, 177, and in 1960, 122.

Mr. KORCHINSKI: Has the loss or the reduction in the number of dealers accounted for your policy of withdrawing some of your distributing offices? You used to have a distributing office at Yorkton and now the nearest one is at Winnipeg. Has the reduction in the number of dealers accounted for this change in policy.

Mr. TRIMBLE: Yorkton is still a distributing point.

Mr. KORCHINSKI: I think there has been a change in policy in the last ten years.

Mr. TRIMBLE: We have taken out of there the office end, but we still maintain a stock of machines at Yorkton.

Mr. KORCHINSKI: But is it not a limited stock?

Mr. TRIMBLE: It is limited to the extent that we do not keep all of the options there. The basic machines that are sold in that district we do keep there.

Mr. KORCHINSKI: How has that affected the price? Has this reduction tended to reduce your cost, or has it tended in any way to reduce the cost to the dealer and therefore is passed on to the farmer?

Mr. TRIMBLE: I think the only way I could answer that would be to say, what would our costs have been if we had not taken some of these steps? At one time we had five or six separate distributing places in Saskatchewan. We kept stocks of parts and stocks of goods in every one of these, and office staffs at every one of these. We have reduced those, now, and I cannot tell you what our costs would be, if we had not done that.

Mr. KORCHINSKI: But this was primarily a move on the part of the company to reduce some of their own costs. Was this what your primary concern was?

Mr. TRIMBLE: To reduce costs.

Mr. KORCHINSKI: Your own; I am speaking of the manufacturer's costs, or your own costs.

Mr. TRIMBLE: To keep from raising prices.

Mr. KORCHINSKI: Yes, I understand that.

The CHAIRMAN: Mr. Connell made a statement a while ago, and he would like to make a correction.

Mr. CONNELL: I made a statement a short while ago; concerning our Argentine plant. I said it was strictly an assembly plant. That is not strictly so, because we do manufacture some components down there, and in our operations there we must build a certain quantity of components ourselves, and we can import others. I just do not know what those components are, but I do know we are building some components in the Argentine, and before I gave the impression that we were strictly an assembly plant.

Mr. KNOWLES: What I was wondering was what their costs would be in Argentina.

Mr. CONNELL: I am afraid I cannot answer that question.

Mr. KNOWLES: Have you any idea on that? Do you bring any of the products from the Argentine up to Canada, at all?

Mr. CONNELL: None at all.

Mr. HORNER (*Acadia*): I must apologize if I repeat some of the questions that have already been asked, but on chart No. 4—and if I am repeating, please tell me so—on chart No. 4 of the supplementary data, you have marked at the top, “others”, and I see that “others” has jumped substantially from 1949 to 1960. Can you perhaps explain what caused that?

Mr. DAIN: If I may answer, Mr. Chairman, the primary reason, Mr. Horner, is because of the unusualness of 1960. We had a large volume of non-recurring expenses last year, connected with the tractor changeover which is reflected in these other costs. It does not represent a sudden increase that will continue in the future—at least we hope not.

Mr. HORNER (*Acadia*): Looking at that same chart, if I may ask a supplementary question, I see where the amount that has been attributed to labour has gone up steadily. I have mislaid the figures you gave this morning with regard to the amount of labour employed, but I believe it was relatively the same from 1950 to 1960. Am I right in that?

Mr. DAIN: In terms of numbers of employees, yes.

Mr. HORNER (*Acadia*): In other words, automation has not really taken the place—maybe this has been covered.

Mr. DAIN: That is right again, except that 1960 is unusual. You see, from 1950 to 1959 total employment costs went up from 30 cents to 36 cents per dollar of sales, which means the prices have not gone up as rapidly. Hourly wages in the same period to 1960 went up 81 per cent. So, the increase in the cost per dollar of sales has not been as great as our own increase in cost per hour.

Mr. HORNER (*Acadia*): I notice in the same chart that material has decreased very slightly. Would this tend to point out that there are greater engineering designs in machines today, where it requires less material?

Mr. DAIN: Some substitution materials, probably.

Mr. HORNER (*Acadia*): Would you say, sir, that if you were the only producer of agricultural machinery, say, in Canada, or on the North American continent, that you would cut down on the number of models you would produce, or would you increase them? This is a general question, but maybe you could give us some idea.

Mr. MONTGOMERY: Perhaps he wishes he had a monopoly; I don't know.

Mr. TRIMBLE: I do not think you can cut down on the number of models.

Mr. HORNER (*Acadia*): You say that you should not cut them down if you are the only producer?

Mr. TRIMBLE: The only reason we bring out a modification or different attachment for a machine is to meet the requirements of the farmers. We would much prefer to make one model, and one model only. We can reduce our costs substantially, but one model will not now fit in in the east and west, and it will not even fit in, in various districts of the west alone.

Mr. MILLIGAN: When you brought out this 2010, was that more of a general purpose tractor? Was that brought out for the purpose of cutting out some of the models, and that it would be a more efficient tractor for the average work?

Mr. TRIMBLE: The 2010 is made in several models. It is not only one model. It is made in several models. It is a general size. The 3010 is another size; the 4010, another size, and the 1010 is a smaller size, but in each one there are several models, the row crop utility, standard utility, diesel, L.P. gas.

Mr. HORNER (*Acadia*): A further question, please. On page 3 you say:

This is risky business and is subject to many things over which we have no control.

Are you implying that perhaps because of the risky nature of the business, you must watch your profits and losses a lot more closely than some other businesses which might be less risky?

Mr. DAIN: About the same as the farmer's business, Mr. Horner. The farmer takes a risk every time he plants a crop. He does not know how he is going to make out until the harvest, and until he knows his selling price. About September we have to sit down and decide what our production schedules are going to be for next year's sales. We have to make those machines that far ahead. We have to try to estimate what our sales will be at that time. We cannot have the advantage of knowing what the actual number of machines is that are going to be sold, so the risk is great.

Mr. HORNER (*Acadia*): I agree with you that farm business is plenty risky; but what I mean is, generally speaking, take the grocery trade, for example: In the grocery business, since everybody eats, the mark-up is small. But you take the jewelry business, for example—well, you do not buy jewels unless you have money to spend, and therefore the mark-up is higher and the profit may be greater if you sell it. I am not saying that John Deere can be compared to the jewelry business, but I mean it is one of the riskier businesses and therefore you expect a higher profit in good years.

Mr. DAIN: It takes more dollars of investment to produce a dollar of sales in this kind of business, than it does in most kinds of business. That is one element of the risk.

Mr. HORNER (*Acadia*): I have another question, Mr. Chairman. I am sorry I was unable to attend this morning.

Mr. SOUTHAM: I would like to have a supplementary question. As far as estimating the production you are going to need next season,—and you do not know whether you are going to run into a crop failure, and conditions of sales are not as good, and some of these machines may become obsolete,—can you give us an idea how that would figure into the cost factor. In other words, you would have to give discounts, possibly, to the dealers to dispose of the units the following year. What percentage of the over-all sales would be related to that figure?

Mr. DAIN: Not necessarily that, but we would have our costs related to last year. We would have to pay interest, and that sort of thing.

Mr. SOUTHAM: And would that be in the over-all picture? Have you any idea what that would be?

Mr. TRIMBLE: There is no factor in price to cover that. It is taken out of the profit.

Mr. CONNELL: Not in setting the price.

Mr. SOUTHAM: I was wondering if you made allowances for that contingency.

Mr. HORNER (*Acadia*): My other question is on testing. I know John Deere probably have their own type of field testing, and farms on which they do a great deal of testing of machinery, such as when there is a change of model. We are led to believe that these tractors are all tested. Have you farms on which you put them through actual tests?

Mr. CONNELL: Yes, we do. Every machine is brought out in the very beginning, say, as a prototype machine,—an experimental machine—and these machines are tested in various parts of the country under as many different conditions as we can find that we believe the machines will eventually work under. Then, we go even farther than that, in that sometimes before we even set the price on a machine, we will have a preproduction run on those same machines. We even put them in the hands of some farmers to see if there are any things wrong with the machines. If they pass those tests—and they are carried out under, as I say, all the conditions that we can conceive of the machine getting into—then we get into production on the machine.

Mr. HORNER (*Acadia*): The reason I asked that question, sir—and I wanted to know just how far you went into testing—we had before us, at the last meeting, a brief submitted by the Saskatchewan government in which they said they had set up testing stations out there, and I asked them regarding the dual windrow swather, on which they had distributed a pamphlet. With regard to this swather, the answer was that the company had sold a number of them in Saskatchewan, and just about the time the Saskatchewan A.M.A. testing branch had tested the swather, the company decided to take it off the market. This appeared to me to be doing the testing after the machine was on the market. In this particular instance I am happy to say the farmers were refunded their money, but the point I wanted to make was, are these machines fully tested before they are put out to sell to the farmer?

Mr. CONNELL: Yes, sir, to the very best of our ability, they are tested.

Mr. HORNER (*Acadia*): Well, do you see, or do you contact the A.M.A. Saskatchewan government testing branch out there, to any great extent?

Mr. CONNELL: I would like to say this, in respect of that; we have co-operated with the Saskatchewan group, and I think they have tested four of our machines. However, these tests have been long after we have made the tests ourselves. I cannot tell you how effective they have been, but we have cooperated, and as long as they are testing out there, we would propose to continue cooperating.

Mr. HORNER (*Acadia*): I do not want to labour this point, but I noticed, a particular baler was tested by them and it put out about 31,000 bales. Now, to me—and I have some knowledge of balers—this would perhaps be—and in fact they even said this was half the expected life of the baler—this appears to be quite an extensive testing program they are carrying on out there. Have they at any time made any recommendations which came as a great surprise to your own testing people?

Mr. CONNELL: Talking only of the four machines of which I have knowledge, I would say no.

Mr. HORNER (*Acadia*): Then, I would like to leave it and go on to another question or two that I have here, Mr. Chairman. This is with regard to getting raw materials. Have you any information for the committee with regard to getting iron ore—and this may be outside of your field, and if it is, do not hesitate to say so because you have it listed in the materials on the charts you gave us. I wondered about this: Has the price of iron ore coming out of the mine increased, or has it remained constant? Has the price of iron ore reaching the steel mills at Hamilton or Detroit, I think it is, increased at those particular points, or are you referring to material here, as you buy it—the rolled product?

Mr. CONNELL: We are referring strictly to materials as we buy them.

Mr. HORNER (*Acadia*): That is iron already made up?

Mr. CONNELL: Yes.

Mr. HORNER (*Acadia*): You have no knowledge as to whether iron ore coming out of the mines has increased? The reason I asked that was that I

think the committee should get some information on this from the D.B.S. or some interested persons, because we have recently had great iron ore deposits discovered in Canada, and we have recently seen that this iron ore is being shipped through the St. Lawrence seaway at a considerable saving. I think that, inasmuch as this inquiry is a study of the conversion of this iron ore to useful material, we should have some information as to whether or not the actual product, when it left the mine, has increased in price or not. I think the committee should take cognizance of that, and perhaps obtain some information on it.

I have a further question, though, with regard to John Deere, and that is: I notice in your brief you said the dealer can have the equipment, and he does not have to pay for it until it is sold. That is only for new machinery?

Mr. TRIMBLE: That is right.

Mr. HORNER (*Acadia*): Parts he pays for within 30 days?

Mr. TRIMBLE: Not necessarily. He can obtain a stock order of parts on which he has a considerable length of time in which to pay.

Mr. HORNER (*Acadia*): I do not mean this as any slur on the John Deere Company, but I have had a number of dealers complain to me about the guarantee. The machine companies are not backing their dealers the way they used to, on guarantees being put on their machines, and if the machine does not stand up, that is the dealer's tough luck. Would you have any comment to make with regard to guarantees, or support for your product with the dealers?

Mr. TRIMBLE: There I think you are speaking of our labour allowance policy, and in our labour allowance we allow the dealer his flat rate cost, his labour cost, plus \$1 an hour.

Mr. HORNER (*Acadia*): For how long do you allow this?

Mr. TRIMBLE: Under the warranty.

Mr. HORNER (*Acadia*): How long are your warranties, generally, or does it vary with different machines?

Mr. TRIMBLE: It varies with different provinces.

Mr. HORNER (*Acadia*): Different provinces?

Mr. TRIMBLE: Yes, sir.

Mr. HORNER (*Acadia*): Why would that be?

Mr. TRIMBLE: You have a statutory warranty in Saskatchewan and Manitoba.

Mr. HORNER (*Acadia*): I see. Can you give us some idea of what that is?

Mr. TRIMBLE: Your Saskatchewan and Manitoba warranty is one year, I think.

Mr. HORNER (*Acadia*): In other words, all new products must be guaranteed by the manufacturer?

Mr. TRIMBLE: Against defects, yes.

Mr. HORNER (*Acadia*): For one year?

Mr. TRIMBLE: For one year.

Mr. HORNER (*Acadia*): This may be getting too trivial, but how long do you guarantee them, say, in Alberta, which has not got that statutory provision.

Mr. TRIMBLE: Our warranty over North America, with the exception of statutory warranties, is six months.

Mr. HORNER (*Acadia*): That is fine.

Mr. FORBES: Manitoba and Saskatchewan are smarter, eh?

Mr. HORNER (*Acadia*): Manitoba and Saskatchewan farmers have an advantage over Alberta farmers there.

I have a further question regarding parts. I am referring here particularly to the John Deere Killifer. I am sure you know what I mean. It is an outfit to move dirt, and in fact a lot people use them to move manure, and it does a good job. But the point I want to bring out is that any farmer in Alberta can buy a blade for your killifer, 8-foot size, for something like \$5 from Nobleford, a manufacturer in Southern Alberta. I don't know if that is the name, but it is in Nobleford, Alberta. They make the same blade which fits the John Deere Killifer for about \$5, and yet to buy a John Deere blade for the same Killifer costs \$30. Now, this, to me, seems to be too big a discrepancy. Surely here is a piece of rolled steel with a certain degree of temper in it, so that it will stand up and hold a good cutting edge, but it is strictly a piece of rolled steel about six inches wide and maybe three-quarters or half-inch thick. There should not be that degree of difference.

Mr. CONNELL: I cannot answer, offhand, what it is. I know nothing of prices of either of the articles. I cannot say what our price is, and I cannot say what the price of the other one is. I don't know that they are the same qualities, the same thicknesses, the same steel. I know nothing of that. I think I would have to have, really, a better example, shall I say, of seeing the blades, comparing them, testing them and seeing if they really are the same blades.

Mr. HORNER (*Acadia*): I realize, Mr. Chairman, that I perhaps placed Mr. Connell at a disadvantage in not having the blade here. This was brought to my attention. I own a John Deere Killifer and know something about it, so I have a little knowledge of what I am talking about. I cannot tell you as to the degree of thickness of the blade, or anything like that.

But it has been often said that parts are expensive and hard to get, and the reason there is such a big market is because you have to retool and run through a special lot of parts. But surely if an effort were made a great deal of it could be done. There is nothing complicated about it, provided the holes are punched at the right distance. They could be stacked up and sold off without any trouble at all. I do not know why there should be that difference, when at Nobleford they can make the same blade. I have been told it fits the same machines.

Mr. CONNELL: I would like very much to dig into that and find out how they can do it so cheaply, because if they can do it, I wonder why we could not do it too. We have made a note of it.

Mr. HORNER (*Acadia*): Massey-Harris said the other day that 18 per cent of their sales were for parts.

Mr. CONNELL: That is reasonable. I would say they would run from 16½ to 17 in the case of our company.

Mr. HORNER (*Acadia*): And they said they were losing three or four per cent on their parts sales to other general manufacturers, such as that particular company I mentioned, or rather the place I mentioned, or to McLeod stores, or somebody. Would you have noticed anything like this?

Mr. CONNELL: If you are referring to Canada, I would prefer Mr. Trimble to answer.

Mr. HORNER (*Acadia*): Take the North American continent.

Mr. CONNELL: For the North American continent, yes. We have a lot of competition from people who manufacture parts for machines which we build. These people, I think we all understand, are the ones who take the cream of the crop. In other words, when a part becomes fast moving, with sales in very large quantities, those are the kind of parts that these people, for want of a better terminology, call them "will fit", manufacture. And they manufacture the parts or else they buy them. They pick only fast moving and high volume parts. But in our case, we not only have these parts, but we must make

parts, as you are well aware, for machines which are 20 or more years old, when many times the cost of simply setting up the machinery with which to build or to make some of these parts is more than the price of the part itself. So we have quite a different thing. We cannot pick and choose. We must build all the parts for our machines.

Mr. HORNER (*Acadia*): Is it not often the case—and I agree that some companies are doing it—but is it not often the case when you have a machine which goes into production, let us say a new model, that you make conversion kits to fit the old one, which enables you more or less to improve the old machine and cut down your parts stock, as you go along?

Mr. CONNELL: I think that is true, yes. I think it would be quite appropriate at this time, if you do not mind my mentioning it, if I should say that for years we have had a pretty good standing rule that wherever a part that is presently in use can be used on a new machine to be produced, then that part is to be used. We have done our very best to standardize, and we hope to do more of it as times goes on. We have a committee which has been actively at work on this over the last five years. We have made some rather significant advances. Not too long ago we had 68 different hose clamps. That is a lot of hose clamps. But today we have cut the number down to six. Then again, we had 49 items. I cannot just think what they were for, because these figures are running through my mind. I was reading a report a little while back. But now the number has been cut down to about seven. In addition, we had 7,000 items of hardware in use in our various plants, but we have now cut that figure down to below 4,000. I think this illustrates the trend, that we are trying to go in the right direction and to standardize all parts.

Mr. FORBES: Do you suggest the price to your dealer for parts and repairs?

Mr. CONNELL: We have a price list which we put out with suggested list prices, but the dealer can sell above or below it, as he sees fit.

Mr. FORBES: What percentage do you suggest that he take?

Mr. CONNELL: Let me put it this way: that if he were to take an average trade discount—let us say, the suggested list price is \$1. The average discount from that is 27½ per cent. That would represent to the dealer, if you turn that around into a mark-up over his cost, it would be 37.9 per cent. In addition to the trade discount we give him a discount for stock orders, and we give him a volume bonus. So if he were to take advantage of just half the stock order discount, plus his volume bonus, that would be equivalent to about 31 4/10 per cent discount from the same price, and it would entitle him, as a mark-up, if he sold at that full price, to about 45 per cent.

Mr. FORBES: Would you care to suggest how much mark-up you would recommend on a new machine?

Mr. CONNELL: We publish a retail or list price and incidentally it is the maximum list price at which our dealers can sell. I know, because this list price is the same in the United States as in Canada. It is the maximum price at which our dealers can sell in Canada. His discount from that is 20 per cent.

Mr. FORBES: You say 20 per cent?

Mr. CONNELL: That is right.

Mr. FORBES: And then he has a bonus?

Mr. CONNELL: There is a volume bonus on top of that; and if we add the two together, the total discount from this maximum price would be 22.8 per cent; or, to represent the mark-up against the cost, it would be 29.5, if it were a straight sale. But we know that many dealers have to take less than that for their goods.

Mr. FORBES: Does this book here represent the prices pretty well as suggested by you?

Mr. CONNELL: I do not know just what book you are referring to. Possibly Jack would be more familiar with it than I am.

Mr. TRIMBLE: They look to be reasonably close, but I would have to check them against our own price list.

Mr. MILLIGAN: When you sell a tractor, it would have your price on it?

Mr. CONNELL: That is the way the farmer can buy it?

Mr. MILLIGAN: And when you get it fully equipped, and when you put on the gear and all the rest of the equipment, is it offered for sale with the same mark-up as the price of a bare tractor?

Mr. CONNELL: It takes the whole goods mark up, not the repair parts mark up.

Mr. HALES: I would like to refer to the sheet showing the percentage of cost compared to the net selling price of the tractor. In the bottom line it says that the net profit is a percentage of the net selling price. I take it that that selling price is your factory selling price.

Mr. CONNELL: That is the selling price to the dealer.

Mr. HALES: All right. Take 1960; but that is when you said you were retooling. So let us take 1959, where it says 11.3 per cent profit on tractors. In other words, if a tractor sold for \$2,000, the profit would be \$226.

Mr. CONNELL: That would be the net profit.

Mr. HALES: For several lines of business that is a very high profit. Take for instance the products of the farmer, which he sells and which go to a food outlet. If they make two per cent net profit on their year's operation, it is considered a good operation. With a packing house, if you have an operation with one-half cent per pound of profit on a year's volume, you are doing good business, and you are making a profit. This seems rather high to me, this 11.3 per cent profit. What is the average price of a tractor now? Would you say \$2,000 was a fair figure?

Mr. CONNELL: I think it would be above that. That is wholesale. I would have to guess at a figure, when you ask for an average price of a tractor. We would have to choose some one example. I would say that probably \$2,600 to \$2,700 would be closer to an average price, for which we would sell a tractor.

Mr. HALES: So let us say \$3,000. Then there is going to be \$300 profit on that one tractor. It seems to me that this type of business, farm machinery, has far too great a net profit, when compared to any other line of business.

Mr. CONNELL: Perhaps Mr. Dain would be good enough to answer your question.

Mr. DAIN: I would like to answer that, if I may, in respect to our total North American business. At the end of 1960 we had approximately \$600 million tied up in one place or another, not counting our retail credit operations in the United States. There are many ways in which to measure profits. The one to which you refer is profit on sales. It is true that our net profit on sales would appear to be higher than those you stated. But it takes many more dollars of resources and investment in inventories, in plant, in equipment and so on to produce this dollar of sales. It is a much higher investment than it takes, for example, for a food chain. So we think, as we have tried to indicate in our brief, that perhaps a fairer way to compare profits between industries is in relation to total resources or total assets that are employed in the business.

Now, when a company is faced with financing its business, it has to get from some source, dollar for dollar, all the resources which it requires to produce its sales volume. You can get those dollars in about five different ways or means; you may get them from your suppliers in the form of accounts

payable; or you can get them from the reserves which you build up to meet contingencies or situations which have not yet occurred. Those two sources would cost you nothing. You do not have to pay any interest charge on them. Then you can get money from the banks in the form of notes payable, or from bondholders in the form of a continuing debt; or from stockholders in the form of equity capital. But each one of these sources creates a cost to the company. So it is within the discretion of management, when it may derive money from these many different sources. In other words, when management can take more of its total funds from debt sources, these are the cheapest sources. So this affects operating costs as far as money goes.

To get on a comparable basis, as one company compared to another company, you have to eliminate this kind of factor. We think that comparing profits against total resources is a fairer measure. And I think you will find that in widely divergent kinds of financing, it is more comparable than when profit is related to sales volume.

Mr. HALES: On the surface it does not just appear right that there is this big mark up in farm machinery, when in foods it is so low; but you have explained some of the reasons why. What would be the total profit on a tractor on this basis of 11.3 per cent figure of profit, and then as to dealer profit?

Mr. DAIN: We do not know what the dealer's profit is. We know what his total mark-up is.

Mr. HALES: Take his total mark-up. What would you figure the two would be together? The manufacturer makes a profit of 11.3 per cent on a \$2,000 tractor, and that would amount to \$226; and then you would add to it the dealer's profit.

Mr. DAIN: I will figure that out for you in just a minute.

Mr. HORNER (*Acadia*): The dealer might object quite strenuously to the committee that 20 per cent is profit.

Mr. KORCHINSKI: You express it as a maximum.

Mr. TRIMBLE: On a \$3,370 list price tractor, it would be \$634.

Mr. DAIN: That is not profit; that is before the dealer has recorded any expenses or charged expenses against his mark-up.

Mr. HALES: Bear in mind that you have taken every specific cost that you can think of and placed it in there, such as depreciation, overhead, and everything.

Mr. TRIMBLE: On our side of the picture, as to the \$337 dealer's profit, we do not know what the profit would be because we would not know what he would sell it for.

Mr. HALES: We are here to try to find out what the problem is. Have you any recommendations to offer this committee as to how the farmer might buy farm machinery at a lower price? Have you any recommendation or suggestion?

Mr. CONNELL: If we were able to reduce our cost right down the line everywhere, there is a probability that prices would go down. If all our costs remained the same, the probability is that prices would not rise; but if costs did rise, I think it is almost inevitable that prices would go up.

Mr. HALES: This is a wonderful opportunity for you to make any suggestions or recommendations.

Mr. CONNELL: What would you have to say about it Jack?

Mr. KORCHINSKI: I wonder if any of the witnesses could give us any indication of whether or not there is any research done, so that farmers would not have to have a lot of their money tied up in so many motors. On a combine we have a motor, and on a self-propelled swather we have a motor, and on a tractor we have all kinds of motors; yet these motors are used for only three or four weeks in a year.

And another thing; take the case of tires. I know there are all kinds of tires around our farm. It is my belief that many of these tires simply wear out, not from use, but because they just stand around. I know in many cases they just fall apart after a period of years. They just seem to disintegrate. I wonder if you have given any consideration to the standardization of equipment, or if you have done some research so that farmers would not have to spend so much on machines which they do not use to the maximum degree. In the first place, a lot of farmers might use older tires, and this is fine. But when they go to change those tires, they may find that there has been a change in the size of the rim, and those old tires will not fit on the new rims. Is it not the case that you switch your rims around from year to year?

Mr. TRIMBLE: One of our biggest problems is to determine when to go from a 16 to a 15, or to a 14 inch rim, because of the facts that you mention, that the farmer has a lot of 15 inch tires. So the question is, when is he going to use a 15 inch tire or a 14 inch tire in the newer machines? It is a problem as to when we should switch the rims on a machine so that you can make use of these old tires.

Mr. KORCHINSKI: And another problem arises when you will find one rim with five holes in it, and another with only four, or another with as many as six. They never fit. You can examine any old baler and you will find the same problem.

Mr. TRIMBLE: Are you not talking about wheels rather than rims? We use tractors with demountable rims wherever possible.

Mr. KORCHINSKI: If you mount a tire on a rim, would it be classed as a wheel?

Mr. TRIMBLE: The rims will mount a tire, whether there be four or five holes in them.

Mr. KORCHINSKI: The point is that here you have one with six holes and it will not mount.

Mr. COOPER: I think he has reference to the hub shoulders.

Mr. MONTGOMERY: I would like to follow up on Mr. Hales' point. Taking the year 1959, on the first sheet it shows a net profit of 11.3 per cent. I notice there you show net selling price f.o.b. factory 100. What I want to get at is this: you are assuming on that that you will build and sell so many tractors. Suppose you do not sell the number of tractors you expect to sell, or suppose you were giving bigger discounts, have you taken into consideration here these discounts you give to your dealer in the expenses of 88.7 per cent? I understand that a small dealer gets twenty per cent and a large dealer would get a larger discount. Is there a possibility of this 88.7 per cent not covering all of this cost and meeting all of your losses on tractors if they do not sell?

Mr. CONNELL: That is the total cost.

Mr. DAIN: These are actual costs and not standard costs predicated on volume.

Mr. MONTGOMERY: We can depend on your making 11.3 per cent.

Mr. DAIN: We did in that year.

Mr. MONTGOMERY: What about 1956?

Mr. DAIN: We had a strike in that year for about three months.

Mr. HORNER (*Acadia*): My first question is on advertising. When the International company was before us they made some surprising statements to me. I am sorry I was not here to question them later. In looking up their answer I find that it still seems surprising. They said that seven farm publications charged \$10,850 for advertising on one page in black and white. To me this sounds like a combine in the advertising business, if seven companies

charge that for one page. They listed the seven companies. I am wondering whether or not in your advertising you have had any similar experience?

Mr. CONNELL: I am sorry, but I have no information on the breakdown of what our advertising expenditures are. I know what the total is, but I do not know what they pay per page for space now compared to what it might have been some years back.

Mr. HORNER (*Acadia*): The surprising thing to me is they listed the seven farm papers. It appears to me that perhaps the combines investigation branch should look into this, unless there is a legal combine existing.

Mr. CONNELL: I have no evidence. Undoubtedly the evidence is available in our advertising department.

Mr. DAIN: I am sure it would cost us as much as International.

Mr. HORNER (*Acadia*): I wonder if you could tell me if you have any idea of the percentage of the dollars you are spending on advertising.

Mr. CONNELL: As a percentage of net sales I could give it to you. I can go back as far as 1954 if you like.

Mr. HORNER (*Acadia*): Yes.

Mr. CONNELL: In 1954 it was 1.3; 1955, 1.1; 1956, 1.5; 1957, 1.2; 1958, 1.1; 1959, 1.0; and in 1960 it was 1.3.

Mr. HORNER (*Acadia*): In other words your advertising expenditures have remained relatively constant for the past six years?

Mr. CONNELL: Yes, as a percentage of sales.

Mr. SOUTHAM: I have had a little bit of experience in advertising newspaper rates. This might throw some light on the question. I believe that by some agreement or legislation a magazine over a certain circulation can charge a certain rate per inch of newspaper column. It is quite likely that these people in picking out a particular periodical come within this scope of a minimum circulation. Consequently the rates would be approximately the same in all cases.

Mr. HORNER (*Acadia*): This enlightens me a great deal. I have a question in respect of advertising, dealing with a trip John Deere paid for their dealers.

Mr. CARON: The trip to Dallas?

Mr. HORNER (*Acadia*): Yes.

Mr. DAIN: That would not be included in advertising.

Mr. HORNER (*Acadia*): What would you write that off as?

Mr. DAIN: This was in the figures on sheet No. 4 which jumped from nine to seventeen per cent. I would not want to imply that this was all attributable to Dallas; but Dallas is in there. I should say, however, that the dealers did pay a portion of their own cost of the trip to Dallas.

Mr. HORNER (*Acadia*): I do not think the dealers paid too much.

Mr. DAIN: I should say also that our normal advertising budget in 1960 was reduced notably to absorb a good part of the extra cost of the Dallas show.

Mr. KORCHINSKI: If the dealer paid part of it he would have to get the money back and charge the buyer more.

Mr. DAIN: We hope he would sell so many more tractors that it would not be necessary.

Mr. HORNER (*Acadia*): We have had evidence before us that perhaps a price tribunal should be in effect to which you would apply for permission to increase your prices. Do you think there would be any danger of this slowing up the development of new techniques or new methods in respect of machinery?

Mr. CONNELL: I think if it were to cut us down to the point where we could not make a fair profit with the goods we sell, unquestionably it would have this effect on the development of machinery.

Mr. HORNER (*Acadia*): In other words, a price tribunal also would have to control your other expenses such as material and labour?

Mr. CONNELL: Yes. It would have to be a case of wage controls as well as price controls.

Mr. HORNER (*Acadia*): This is what I thought, too. Companies are always being condemned for having too many model changes. I will excuse you for your recent change from two cylinders to four cylinders; I never did like two cylinders anyway. A little while ago you had a change from an 820 to an 830. Can you give this committee some idea of the reason for this particular change, and what changes actually were made?

Mr. CONNELL: I am not an engineer. I will have to go back to a survey made in 1952. This deals with the tractor you are speaking about. At that time this survey conducted by an independent group revealed pretty clearly to us that the only ones who wanted two-cylinder tractors were the ones who already owned them. Primarily these were the older farmers; the younger ones on the farms wanted fours and sixes.

About the mid-1950's we began to do something about it. At that stage we began developing the tractor which we are now marketing as the 2010, the 3010, the 4010, and so on. In the meantime, while we were doing that, there was the matter of staying alive. We had to bring into the field the 820 which replaced the 80; the 80 had replaced the R a long time ago. In order to keep up with the field as best we could with the model of tractor we had, and the only one we had, until we could come out with the fours and sixes, we had to make additional small changes in the 830. I am not prepared to tell you exactly what those changes were; I am not an engineer. However, they were changes which went beyond style; there were some functional features in the 830 that the 820 did not have. Our change in those years was an endeavour to stay in the market until we were ready to come out with the new tractors.

Mr. HORNER (*Acadia*): If you want to change something just a little, could this not be done without coming out with a bunch of ballyhoo that it is a new model.

Mr. CONNELL: Frankly, this is done in many instances.

Mr. HORNER (*Acadia*): I am going to read an extract from the report of the royal commission on agriculture and rural life. This is a summary dealing with mechanization and farm costs and has to do with model changes. It says:

Repairs must not only be available for the 75 sizes and types of tractors sold this year, but also for the different sizes and models sold in years past.

It goes on to say that every time the models are changed a new set of parts has to be kept in stock by the dealers and the implication is that this continual piling up of stock on the part of the dealers makes it very difficult and perhaps increases his costs to some extent.

Mr. CONNELL: I do know that when we came out in 1960 with a completely new line of tractors this probably brought more new parts into the line than any changes we had made for many many years. I can go back to our 830, 820, 80 and R, and if you were to check back through the price books on other parts you would find that the great percentage of the parts used on the model "R" were still in use on the model 830.

Mr. HORNER (*Acadia*): In other words, the parts do not change completely every time a model changes?

Mr. CONNELL: No.

Mr. HORNER (*Acadia*): Could you give the committee some idea as to why a diesel motor may cost as much as \$800 to \$1,000 more than a gas motor for a similar tractor?

Mr. CONNELL: I cannot tell you from an engineering standpoint, but only from the standpoint of having seen the costs and knowing that the costs are greater. The costs in our case would not range anything like the figures which you mentioned. Our smallest one is the 1010 and sells for \$500 more; the larger sizes from \$525 to \$600 more.

Mr. HORNER (*Acadia*): Are you taking 20 per cent on that again?

Mr. CONNELL: No, this is retail that I am talking about.

Mr. HORNER (*Acadia*): Well, I do not know. I realize that diesel fuel can be purchased cheaper by a farmer. But I hope there is some other reason you could give us as to why a diesel tractor should be priced higher.

Mr. CONNELL: I think this will be of interest to all of us. The other day I was interested in learning what percentage of tractors are going to diesel. The only reason we ship diesels out is because somebody wants to buy them. Here are the figures. In 1958, 1959, and 1960—in those years for the 730 model tractor—17.3 of them were gasoline in 1958, 13.8 per cent in 1959, and then it dropped down to 9.9 per cent in 1960. Now, as to diesel. In 1958 62.8 per cent of all the 730 sales were diesel.

Mr. DOUCETT: What year was that, please?

Mr. CONNELL: By 1959 it had increased to 74.3 per cent, and by 1960, with this model tractor, it increased to 77.5 per cent. The difference between the two, is the LP gas, which showed the same kind of decline as the gasoline.

Mr. HORNER (*Acadia*): Was the LP gas tractor more expensive to use?

Mr. CONNELL: Yes, it costs more than the gasoline, but I believe it is less than the diesel.

Mr. HORNER (*Acadia*): I can understand that you would have to provide a pretty good tank for the gas on a LP tractor, but you could put that tank on an ordinary gas tractor, or a gas car, and we might go out into the field and it would operate very well. But why would it cost a difference of \$400? I am just guessing.

Mr. DAIN: The compression ratios for a diesel tractor are much higher than they are for a gasoline tractor. It requires a more rugged type of engine, and a more expensive fuel injection system. In addition, the tolerances of the manufacturer's specifications for a diesel injection system are much finer and more costly than for a carburetion system in a gas tractor.

Mr. HORNER (*Acadia*): You would say that there is much more refined and highly skilled work which goes into a diesel as compared to a gas engine?

Mr. DAIN: Yes.

Mr. TRIMBLE: In one case you have just the one carburetor, while with the injection system you have to have an injection pump for each cylinder.

Mr. FORBES: In trying to arrive at the cost of machinery, Mr. Hales referred to the cost of a tractor, and the dealer's mark-up on a \$2,000 tractor. That would not be for a very popular sized tractor. That would be for your 730, which would cost in the neighbourhood of \$5,000. Would the mark-up be the same on a \$1,000 tractor, as it would in the case of a \$5,000 tractor? Why should your company not say here, that if you are selling machines over \$3,000, your mark-up should be only 10 per cent? That in itself would reduce the cost of machinery quite a bit. At the present time you have two price systems; you have one price here between the wholesaler and the dealer, while the dealer has another price from there on. Unless you have something to

trade in, it is a cash price; and it is that part of the problem which increases the cost of the machinery.

Mr. TRIMBLE: I do not think you could do that. Your dealer's commission, or your dealer's net profit, now is very small. If you ask if the commission on a \$5000 tractor is the same as it is on a \$1000 tractor, the answer is yes, that is correct.

Mr. FORBES: You mean it is at the same rate?

Mr. TRIMBLE: That is right. Trade-ins ordinarily are priced much higher. He has possibly much service work to do there. Then there is his delivery cost, and his cost of doing business; and moreover, he sells fewer of them.

Mr. FORBES: He has quite a mark-up when he buys one of those big combines, and I do not think there is any more problem with a \$5000 tractor than there is with a \$2000 tractor.

Mr. CONNELL: I cannot answer that either. But I do believe that the dealer is entitled to earn a reasonable profit, and I think that based on past experience, and on what they are doing today, if we were to attempt to cut them down, so that on the larger sized models of any machine they would only get one-half of what they get today, I do not think we would have many dealers in business very long, or any who really wanted to go into the business.

Mr. DAIN: If you assume that the dealer is now making a fair profit, and you introduce what you say you would reduce his mark-up on the larger tractors, then, in order to make a fair profit, he would have to charge a higher mark up on his smaller tractors.

Mr. FORBES: I think that their mark-up all the way across the line is plenty high enough. But that is what we are going to get at.

Mr. PETERS: I would like to ask a question on other fields. My first question is this: what is the relationship in your company between industrial sales of certain types of your tractors, and farm tractors? I am thinking particularly of companies like H and S in Ontario who buy hundreds of your small crawler tractors for bush operations. This must have some influence on the cost of producing them, because it is not in the agricultural field. The volume is largest in that field.

Mr. TRIMBLE: I cannot go by a particular dealer; but in so far as our overall sales in Canada are concerned, only eight per cent of our sales were for industrial use.

Mr. PETERS: In other wards, it is not much of an advantage as far as the farm section is concerned?

Mr. TRIMBLE: No.

Mr. PETERS: What is the difference in price in those two fields?

Mr. TRIMBLE: Only in so far as they are heavier equipment, or different equipment; the tractor—the agricultural crawler tractor does not have the same protective equipment on it as does the tractor which is sold for use in the woods, but the mark-up is the same.

Mr. PETERS: Another question is this; why would your company or any other company be producing agricultural equipment in Canada at all? You point out that wages are a large factor. I was interested in the statement made this morning in relation to tractors on one of the supplementary pages which you gave us. The comment by labour is continually that automation has made a difference in the number of people being employed, and that they are less, and that there is a relationship between this and the sales of the company and the wage picture itself. Is this the reason? What is the reason, or what do you contemplate is the reason?

You note that in 1956 the percentage of wages has gone up to 19 per cent, because there was a strike; and obviously when there is a strike there is no labour involved for the period of the strike. Then you go on to the second strike in 1960, where your labour content goes up to 27 per cent of the cost of production. Does that not indicate that poor management in many cases may be a large factor in the matter? It would seem to me that you have less overall labour cost during the time when there is a serious labour dispute because there are no wages being paid at all. Yet, so far as the work is concerned you say that in this case it is almost double what it was in 1959 for weekly wages in the plant. How do you explain it? How do you explain taking this amount in and covering it up to such a large extent? How can you explain it to the farmer, if you did not have that much wages?

Mr. DAIN: It is often assumed that direct labour is a variable cost. But it is not. When we shut down a plant because of a change in tooling, or because of a strike, there are still people working in that plant. This was particularly true of 1960. Much of the machinery had to be moved around and tried out, and the people had to be paid. It is true that when the union people are not working they are not getting their weekly cash wages; but operation costs are still going on, such as pension costs, supplementary benefit costs, and so forth; they are all going on, all of which tends to reduce the effect you are talking about.

Mr. PETERS: Is it not true that the charge that is made, the contention that is made, that the lower number of units there are, probably also it is true the lower the amount of overall labour cost in the plant; but the percentage will rise very rapidly, even though there is no total decrease in the labour pool.

Mr. DAIN: That is true, yes.

Mr. PETERS: So with poor management, if we are manufacturing farm equipment in Canada, and we are playing around with the concept of an international market,—and most of the machinery companies have come to the point of not being Canadian companies, but come to us as American companies—and in the one case you mentioned this morning when you pointed out that even from our own Canadian factory that we are producing more than twice as much of the production that is going into the United States, than is going into Canada, so that we are really not dealing in the Canadian scene at all.

Mr. DAIN: Not as far as costs go, no.

Mr. PETERS: We are being the victims, in some cases, of international operations.

Mr. DAIN: Except that costs in Canada—the percentage of the selling price as shown on these sheets—are not too different from the United States prices.

Mr. PETERS: Yet the wages are quite different; they are 25 per cent different.

Mr. DAIN: The hourly wage cost between the United States and Canada is about 15 per cent different, and this is a relatively small proportion of the total cost.

Mr. PETERS: Then why is not this 15 per cent difference reflected in the price of the Canadian made product? What would we have to do, as a committee, to take advantage of the wage environment in which we live in relation to the plant production?

Mr. DAIN: It is reflected in the cost of the product. The Welland products are priced on Welland costs. If the same products were made in the United States, and cost more, they would have to bear the United States cost.

Mr. PETERS: Why do all these companies not come into Canada and have all their production in Canada? Why do they not do their manufacturing in Welland, where they would be very close to Hamilton, where they would be very close to sources of supply of raw materials, and where labour costs are lower than in the United States? Why is it not advantageous for all the manufacturing companies to situate in that locality?

Mr. DAIN: If we made all our goods in Welland the final cost to the farmers would be higher. Distribution costs would be higher.

Mr. PETERS: But in your brief you quote prices—f.o.b. prices, so we pay the costs anyway.

Mr. DAIN: If we moved all our production to Welland and our competitors stayed in the midwestern states then the Canadian farmers in the western provinces could buy their products cheaper than ours.

The CHAIRMAN: I should like to interrupt for a moment. I think the witnesses have been excellent and they have made an excellent submission. They have been very cooperative, as have been some of the members today. I wonder if we could continue this cooperation as the witnesses would like to catch a train shortly after five o'clock. I would ask you to confine your questions to the minimum, and let them get away.

Mr. HORNER (*Acadia*): I have more questions, even though I do not want to hold the witnesses.

Mr. HENDERSON: They will miss their train.

Mr. HORNER (*Acadia*): My questions may not be that important but I want them put, whether they miss their train or not. There are a lot of trains running. At the bottom of page four of the brief, and at the top of page five you state:

In 1959 we had net sales of approximately \$542 million and a net profit of about \$48 million.

Now, by doing a little rapid calculation, taking that \$48 million from \$542 million you get \$494 million. Then, at the top of page five you say:

If we had sold the same products at 1950 prices in 1959, our sales would have been \$393 million and we would have had a loss of about \$47 million.

Add that \$47 million to the \$393 million and you get \$440 million. There is a difference of \$54 million, which is your cost figure, or am I reading the figures incorrectly??

Mr. DAIN: The effect of the income tax on profits would account for the difference.

Mr. HORNER (*Acadia*): In your chart you attribute income tax as a cost, which maybe the committee should accept if you are fortunate enough to do that. Maybe it is a cost. I am not going to debate that but, for the year 1954, you attribute income tax for tractors as a cost item as 11.1 per cent. Going down to combines the income tax was 5.6 per cent, and going to balers the income tax in 1955 was 13.4 per cent. Why should the figures have varied?

Mr. CONNELL: That is as a percentage of the income tax to the selling price of the particular machines. The whole chart is a percentage of cost on the selling prices.

Mr. HORNER (*Acadia*): This is just an example. The income tax on tillers in 1955 was —7.6 per cent. What does that signify?

Mr. DAIN: That is a carry over from previous years. You get a tax credit if you have a loss.

Mr. HORNER (*Acadia*): If there was a tax carryover, why was it only applied to tillers?

Mr. DAIN: We do not normally analyze our accounts in this way. We have tried to provide it by machines here in order to provide the information you asked for.

Mr. HORNER (*Acadia*): But this assumes that in the year 1955 you made no profit at all on tillers?

Mr. CONNELL: We, in fact, showed a loss that year.

Mr. HORNER (*Acadia*): On the whole company's operations.

Mr. DAIN: On that one plant.

Mr. HORNER (*Acadia*): On the Welland plant?

Mr. CONNELL: Yes.

Mr. HORNER (*Acadia*): This would apply just to the Welland plant?

Mr. CONNELL: Yes. You can check back to the other sheets and see that.

Mr. SOUTHAM: With reference to cabs on machines, you have mentioned that approximately 60 per cent of your sales are in the United States. Now, as members of the committee have found out during the last week or two, if a machine comes across from the United States into Canada and has a cab on it there is no tax, but if the cab is left off and a Canadian farmer decides to purchase a United States tractor then he has to pay \$21 or \$22. May I ask how many of your customers are purchasing these combines which have cabs? It might assist us to eliminate that.

Mr. CONNELL: First of all, I cannot tell you how many are sold with cabs, either in the United States or Canada. Maybe Mr. Trimble knows but, if we were to make it a standard part of the combine, we would increase the price of the combine to those who do not want cabs. Therefore, we prefer to manufacture it as an optional.

Mr. SOUTHAM: In other words, it is company policy?

Mr. CONNELL: Yes, that is correct.

Mr. SOUTHAM: It does create a problem whenever a Canadian buys a machine without a cab.

Mr. HORNER (*Acadia*): How many of these combine cabs do you sell in Canada? Would there be 50, 25 or what?

Mr. TRIMBLE: About 50.

Mr. DAIN: The overall production would be 200 or 300.

Mr. KORCHINSKI: Could we have the financial report for last year included as part of the evidence which the witnesses have submitted? Does it require a motion to that effect?

Mr. CONNELL: Here it is.

Mr. KORCHINSKI: I would suggest that it be incorporated as part of the evidence.

Mr. HORNER (*Acadia*): That was not done with the others.

Mr. KORCHINSKI: That has been done.

The CHAIRMAN: I do not believe so.

Mr. KORCHINSKI: I did not see this financial report.

The CHAIRMAN: Are there any further questions?

Mr. HORNER (*Acadia*): Of course I have more questions.

Mr. KORCHINSKI: I think the financial statement for Massey-Ferguson was included as an appendix. I believe a motion was passed. Is that not right?

Mr. GUNDLOCK: Yes.

Mr. CONNELL: You are welcome to it.

Mr. KORCHINSKI: I would make a motion to have it incorporated as part of the evidence.

The CHAIRMAN: We shall see if it was incorporated.

Mr. KORCHINSKI: I am making a motion.

Mr. FORBES: I second it.

The CHAIRMAN: Is it agreeable that it be incorporated in the evidence?

Mr. HORNER (*Acadia*): Can it be done, pictures and all?

The CHAIRMAN: It can be done but it would be very expensive. I think the committee would just want the financial statement.

Mr. HORNER (*Acadia*): Is that good enough, Stan?

Mr. KORCHINSKI: Yes.

The CHAIRMAN: Is it agreeable that it should be printed as an appendix?

Some hon. MEMBERS: Yes.

Mr. SOUTHAM: I think I made the motion that the Massey-Ferguson financial statement be incorporated with the evidence.

Mr. HENDERSON: While other members of the committee are looking at those figures I should like to tell the witnesses that we had the dealers before this committee, and you never saw such crying in your life. I come from the Peace River country and I told them about the old fellow who landed here after coming from a trip around the world. Your fellow, Kayo Aspol, made half a million dollars in the Peace River country in the implement business.

Mr. TRIMBLE: Kayo made part of that in the real estate business as well.

Mr. HENDERSON: He has got a million dollars now and he is building a big hotel.

Mr. HORNER (*Acadia*): My question has to deal with volume. I notice that according to a chart your volume has been relatively constant over the past ten years. I think its low point was in 1954 or 1956 and its high point was in 1959, but the significant thing to my mind is that prices started to go up in 1955, and rose sharply. In fact, taking the year 1947 as a basis for one hundred, the farm machine index rose 50 per cent from 1955 on. Do you think that your volume of sales have reached your volume of production? In other words, have they, generally speaking, reached that point of efficiency?

In other words, greater volume would not decrease the price to a sharp amount, or would it?

Mr. DAIN: Mr. Horner, at the same time, in this period between 1954 and 1959, the two census years in the United States, the number of farms was decreasing eighteen per cent. This is a substantial factor which affects volume.

Mr. HORNER (*Acadia*): Yes; but as in lot of other things there is a point of efficiency at such and such a volume.

Mr. DAIN: We have gotten to the point where it is practically impossible to increase the volume of the industry substantially by reducing prices first and hoping the increased volume will pick it up; it just is not there to get.

Mr. HORNER (*Acadia*): The prices have gone up sharply since 1955. They went up last year in all other commodities the farmers have to buy. I notice your volume also has increased from 1956 to 1959. Do you feel that your volume of production is at an efficient level?

Mr. DAIN: We could do better if it were higher.

Mr. HORNER (*Acadia*): In other words, if you had a greater volume of production your costs would go down?

Mr. DAIN: That is true.

Mr. HORNER (*Acadia*): Why did this not happen? From 1956 to 1959 your volume went up but prices also went up?

Mr. DAIN: The costs went up faster.

Mr. HORNER (*Acadia*): I realize that costs went up. I suppose your volume never increased sufficiently to take care of the increased costs.

Mr. DAIN: Yes.

Mr. MILLIGAN: Were you putting out a longer line of machines?

Mr. DAIN: That is part of it.

Mr. HORNER (*Acadia*): It has been recommended to the committee that perhaps the farm machinery industry should be nationalized and that with increased volume prices would come down. I know that in operating a farm, if you have a low volume of wheat it may cost a lot to handle it; but if you have quite a bit you can handle it at relatively low cost because you have larger augers, larger dump trucks and other things. If your volume increases the costs remain relatively the same.

If you were the sole manufacturing agency of farm machinery in the North American continent—and you have already answered me that you would produce nearly as many models as you are now—would your costs go down?

Mr. DAIN: What you would have to do is to include the cost of doing away with a good many of your farm machinery plants and paying unemployment benefits to a good many people who are now in the farm machinery industry.

Mr. HORNER (*Acadia*): I realize my question probably is hypothetical and difficult to answer.

We had evidence before this committee that over the years the number of manufacturers to some extent has been going down. In recent years in Canada we have had a number of manufacturers cropping up. Have you anything to say in respect of the United States?

Mr. DAIN: There are still approximately eleven or twelve hundred farm machinery manufacturers in the United States.

Mr. HORNER (*Acadia*): They manufacture everything from a power mower to a tractor, I suppose.

Mr. DAIN: I am not sure if that would include the so-called garden equipment. This is just farm machinery. Of course, many of them do not make more than one type of farm machinery.

Mr. HORNER (*Acadia*): I know there was evidence before this committee that the percentage of manufacturers is decreasing and that in fact there are only nine in the U.S. and in Canada; but more recently we have had a number of small companies coming into Canada and perhaps some of them are setting up shop here. Could you give us any idea whether the percentage of the Canadian market is decreasing or holding its own? I do not want definite percentages.

Mr. TRIMBLE: You could figure that from the figures in the brief. I think it is increasing slightly.

Mr. MILLIGAN: You mentioned there were fewer farms during the last census. That trend is still increasing. Do you think the production of machinery will drop accordingly?

Mr. DAIN: In respect of unit sales, yes. That has been the trend for the last ten years.

Mr. MILLIGAN: The trend is that your production will not be as great as years go on and as the number of farms decreases.

Mr. DAIN: In tonnages, yes.

Mr. MILLIGAN: That might increase the price of the machines.

Mr. DAIN: We hope not.

Mr. HORNER (*Acadia*): What do you consider the average number of hours your tractors are worked on the farm in North America or in Canada?

Mr. KELLOGG: It depends on the type of crop and the area of the country. In a small grain area I suspect it would be 800 to 1,000 hours maximum. In the areas of heavy plowing where there is a great deal of self propelled equipment I expect that a great many of the tractors are not used more than 200 or 250 hours.

Mr. HORNER (*Acadia*): I have a publication here which says that in 1947 twenty per cent of the tractors purchased were diesel. It goes on to say that about one in ten farmers works a tractor over 800 hours a year. Would you agree with that?

Mr. DAIN: Yes.

Mr. PETERS: I am wondering if your company has given any consideration to situating a new plant in western Canada in conjunction with the steel industry in Regina.

Mr. DAIN: I would have to say no.

Mr. PETERS: Will they give consideration to it?

Mr. HORNER (*Acadia*): There is a steel plant in Alberta too.

Mr. PETERS: There is a trend to take the steel industry into an area which is considered to be the most advantageous market. Is consideration being given to locating your plants in that area for the purpose of eliminating transportation problems?

Mr. DAIN: I will not say that we refuse to consider anything; but I would be very skeptical that it would be more economic to manufacture combines in western Canada, for instance, because we would have to ship a larger percentage of our product a greater total number of miles back to the United States than is necessary now from the present location. You also would have to include that somebody would have to pay for the cost of relocating the plant in another place, which would be tremendous.

The CHAIRMAN: Gentlemen, I believe we are ready to adjourn. On behalf of this committee I wish to thank Mr. Connell and the members of the John Deere Company for being with us today. I believe they have been excellent witnesses. Also the committee has been very cooperative.

Mr. CONNELL: Thank you, Mr. Chairman. It has been a pleasure to be here.

The CHAIRMAN: We will adjourn until Friday at 9.30 when representatives of the Saskatchewan wheat pool will appear before the committee.

APPENDIX "A"

DEERE AND COMPANY, MOLINE, ILLINOIS MAY 19th, 1961

TRACTOR	Percentage of Costs to Net Selling Price						
	1954	1955	1956	1957	1958	1959	1960
		%	%	%	%	%	%
Material.....	N.A.	38.9	39.1	36.8	37.7	38.1	40.7
Plant Labor—Salary.....		3.6	5.6	4.7	4.8	3.7	8.7
—Weekly.....		14.8	19.0	15.9	15.2	15.1	27.4
Plant Depreciation.....		2.4	3.7	2.7	2.0	1.8	6.1
Plant Maintenance Materials, Power, Light, Heat, Taxes (other than income) Insurance, Research and Development, etc.....		4.4	6.5	4.6	4.1	4.9	12.6
Production Cost.....		64.1	73.9	64.7	63.8	63.6	95.5
S.S. & G. (Distribution)							
—Salaries and Wages.....		8.3	9.6	8.0	7.9	7.7	10.5
—Other Expenses.....		5.5	6.9	5.9	6.4	6.2	9.1
Total Cost Before Income Tax.....		77.9	90.4	78.6	78.1	77.5	115.1
Income Tax.....		11.1	4.8	10.7	11.0	11.2	+7.6*
Total Cost.....		89.0	95.2	89.3	89.1	88.7	107.5
Net Selling Price (F.O.B. Factory).....		100.0	100.0	100.0	100.0	100.0	100.0
Less Total Cost.....		89.0	95.2	89.3	89.1	88.7	107.5
Net Profit (Loss) as a Percent of Net Selling Price.....		11.0	4.8	10.7	10.9	11.3	(7.5)

* = Savings.

DEERE AND COMPANY, MOLINE, ILLINOIS, MAY 19th, 1961

COMBINE	Percentage of Costs to Net Selling Price						
	1954	1955	1956	1957	1958	1959	1960
	%	%	%	%	%	%	%
Material.....	44.6	44.0	41.7	42.6	42.0	41.9	41.1
Plant Labor—Salary.....	4.6	4.9	7.4	4.2	3.9	4.2	5.9
—Weekly.....	16.1	17.0	18.2	16.1	15.8	17.1	18.2
Plant Depreciation.....	1.3	1.5	1.9	1.0	.8	.8	1.2
Plant Maintenance Materials, Power, Light, Heat, Taxes (other than income) Insurance, Research and Development, etc.....	6.2	4.4	4.7	4.0	4.1	5.4	5.4
Production Cost.....	72.8	71.8	73.9	67.9	66.6	69.4	71.8
S.S. & G. (Distribution)							
—Salaries and Wages.....	9.4	9.2	9.6	8.3	8.2	8.3	7.9
—Other Expenses.....	6.5	6.2	6.9	6.2	6.7	6.8	6.8
Total Cost Before Income Tax..	88.7	87.2	90.4	82.4	81.5	84.5	86.5
Income Tax.....	5.6	6.4	4.8	8.8	9.2	7.8	6.7
Total Cost.....	94.3	93.6	95.2	91.2	90.7	92.3	93.2
Net Selling Price (F.O.B. Factory).....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less Total Cost.....	94.3	93.6	95.2	91.2	90.7	92.3	93.2
Net Profit (Loss) as a Percent of Net Selling Price.....	5.7	6.4	4.8	8.8	9.3	7.7	6.8

DEERE AND COMPANY, MOLINE, ILLINOIS, MAY 19th, 1961

BALER	Percentage of Costs to Net Selling Price						
	1954	1955	1956	1957	1958	1959	1960
		%	%	%	%	%	%
Material.....	N.A.	33.9	30.3	29.8	31.4	32.5	31.5
Plant Labor—Salary.....		4.2	7.2	7.5	6.3	7.9	8.5
—Weekly.....		16.3	20.5	20.0	19.0	21.4	21.3
Plant Depreciation.....		1.0	1.8	2.1	1.7	1.9	1.8
Plant Maintenance Materials, Power, Light, Heat, Taxes (other than income) Insurance, Research and Development, etc.....		4.7	5.9	6.3	4.3	5.9	6.4
Production Cost.....		60.1	65.7	65.7	62.7	69.6	69.5
S.S. & G. (Distribution)							
—Salaries and Wages.....		7.8	8.5	8.1	7.7	8.4	7.6
—Other Expenses.....		5.2	6.1	6.0	6.3	6.7	6.6
Total Cost Before Income Tax.....		73.1	80.3	79.8	76.7	84.7	83.7
Income Tax.....		13.4	9.9	10.1	11.7	7.7	8.2
Total Cost.....		86.5	90.2	89.9	88.4	92.4	91.9
Net Selling Price (F.O.B. Factory).....		100.0	100.0	100.0	100.0	100.0	100.0
Less Total Cost.....		86.5	90.2	89.9	88.4	92.4	91.9
Net Profit (Loss) as a Percent of Net Selling Price.....		13.5	9.8	10.1	11.6	7.6	8.1

DEERE AND COMPANY, MOLINE, ILLINOIS, MAY 19th, 1961

SPREADER	Percentage of Costs to Net Selling Price						
	1954	1955	1956	1957	1958	1959	1960
	%	%	%	%	%	%	%
Material.....	46.7	45.7	42.7	43.0	43.1	43.8	40.3
Plant Labor—Salary.....	4.1	3.9	8.7	5.1	4.6	4.9	7.7
—Weekly.....	13.7	12.2	16.1	14.5	13.4	14.4	17.5
Plant Depreciation.....	.6	.6	1.2	.6	.5	.4	.9
Plant Maintenance Materials, Power, Light, Heat, Taxes (other than income) Insurance, Research and Development, etc.....	2.4	2.0	4.7	3.0	3.3	3.0	4.0
Production Cost.....	67.5	64.4	73.4	66.2	64.9	66.5	70.4
S.S. & G. (Distribution)							
—Salaries and Wages.....	8.6	8.3	9.4	8.2	7.9	8.0	7.7
—Other Expenses.....	6.0	5.5	6.9	6.0	6.6	6.5	6.7
Total Cost Before Income Tax..	82.1	78.2	89.7	80.4	79.4	81.0	84.8
Income Tax.....	9.0	10.9	5.1	9.8	10.3	9.5	7.6
Total Cost.....	91.1	89.1	94.8	90.2	89.7	90.5	92.4
Net Selling Price (F.O.B. Factory).....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less Total Cost.....	91.1	89.1	94.8	90.2	89.7	90.5	92.4
Net Profit (Loss) as a Percent of Net Selling Price.....	8.9	10.9	5.2	9.8	10.3	9.5	7.6

DEERE AND COMPANY, MOLINE, ILLINOIS, MAY 19th, 1961

TILLER	Percentage of Costs to Net Selling Price						
	1954	1955	1956	1957	1958	1959	1960
	%	%	%	%	%	%	%
Material.....	49.9	49.7	50.2	48.5	48.9	46.9	45.4
Plant Labor—Salary.....	3.8	6.8	4.0	3.9	4.6	3.0	5.2
—Weekly.....	16.2	26.6	15.3	12.8	14.6	11.4	14.9
Plant Depreciation.....	2.3	4.0	1.6	1.0	.9	.4	.8
Plant Maintenance Materials, Power, Light, Heat, Taxes (other than income) Insurance, Research and Development, etc.....	4.0	7.6	3.8	3.3	4.0	2.9	4.2
Production Cost.....	76.2	94.7	74.9	69.5	73.0	64.6	70.5
S.S. & G. (Distribution)							
—Salaries and Wages.....	9.7	12.3	9.7	8.6	8.9	7.8	7.8
—Other Expenses.....	6.8	8.1	7.0	6.3	7.4	6.3	6.7
Total Cost Before Income Tax..	92.7	115.1	91.6	84.4	89.3	78.7	85.0
Income Tax.....	3.7	—7.6*	4.2	7.8	5.4	10.6	7.5
Total Cost.....	96.4	107.5	95.8	92.2	94.7	89.3	92.5
Net Selling Price (F.O.B. Factory).....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less Total Cost.....	96.4	107.5	95.8	92.2	94.7	89.3	92.5
Net Profit (Loss) as a Percent of Net Selling Price.....	3.6	(7.5)	4.2	7.8	5.3	10.7	7.5

* = Savings.



SUMMARY COMPARISONS...

1935 Model "B" and 1961 Model "2010" TRACTORS

ENGINEERING COMPARISON

In addition to the extra power, work output and efficiency of the 1961 "2010," as shown at the right, its price also includes the following engineering improvements over the 1935 Model "B":

Synco-Range Transmission
Variable-Horsepower 4-Cylinder Engine
Dual Speed "Live" PTO
Transmission "Park" Position
12-Volt Electrical System
Hot-Spark (8-Volt) Starting
Key-Switch Safety Start
Engine Ventilation
Exhaust Valve Rotators
Bypass Cooling System
Foot-Operated Clutch
Individual Disk-Type Brakes
Speed-Hour Meter
Handy Mowing Step
Roomy Standing Platform
Adjustable Cushion Seat
Full-View Instrument Panel
Wipe-Manual Service Reminder
More Convenient Implement Attaching Points

Additional improvements over the 1935 Model "B" are available as extra equipment as shown on the previous two pages.

	1935 MODEL "B"	1961 "2010"	Percent Changes		
1. POWER COMPARISON					
Maximum Drawbar Horsepower	12.37	39.00	+215%		
Maximum Belt for PTO Horsepower	16.76	45.00	+168%		
2. WORK OUTPUT COMPARISON					
Plowing	One 14-inch bottom	Three 14- or 16-inch bottoms			
Disk Harrowing	10-foot single-action	8- to 9-foot double-action			
Planting	Two row	Four row			
Cultivating	Two row	Four row			
Rotary Hacking	Two sections	Four 3-1/2-foot sections			
Mowing	Up to 25 acres	Up to 35 acres per day			
Mowing-Hay Conditioning	Non-available	Up to 35 acres per day			
Raking	3 mph	7 mph			
Corn Picking	One row	Two row			
Corn Shelling	Non-available	Shells at time of picking			
Corn Snapping	Non-available	Two row			
Potato Digging	One row	Two row			
Rolling	Engine-driven	PTO operated			
Rotary Cutting	Non-available	7-1/2 feet			
Combining	Non-adaptable	9-foot PTO operated			
Cotton Picking	Non-available	Up to 8 acres per day, equating 25-30 hand pickers			
Cotton Stripping	Non-available	Two row			
Baling	Non-available	PTO operated			
Manure Loading	Non-available	1600-lb. capacity			
Manure Spreading	Non-available	134-bushel capacity			
Forage Harvesting	Non-available	PTO operated			
Grain Drying	Non-available	400-bushel an hour			
Saw Removing	Non-available	7- to 9-foot snow plow			
Seeding	Non-available	20-inch penetration			
	2455 pounds	4600 pounds	+87%		
3. WEIGHT COMPARISON					
4. FUEL ECONOMY COMPARISON					
H.P. Hours per Gallon (rated drawbar load)	6.39	Official Nebraska Test Figures Pending			
5. PRICE AND COST COMPARISONS					
	1935 Model B 1935 Dollars	*1961 Dollars	*1935 Dollars	1961 Dollars	Percent Changes
PRICE					
Base Tractor	\$520	\$1144	\$946	\$2122	
Add 100 Rubber Tires	136	305	Included	Included	
Starter and Lights	60	135	Included	Included	
Two-Piece Pedestal	17	38	Included	Included	
Total	733	1644	946	2122	+289%
COST					
Cost Per Maximum Drawbar Horsepower	\$59.26	\$132.90	\$24.76	\$54.41	-59%
Cost Per Maximum Belt Horsepower	\$43.74	96.09	21.02	47.16	-52%
Cost Per Pound at Shipping Weight	.30	.67	.21	.46	-31%

*As of February 1961, the 1935 price for the Model B Tractor was translated into 1961 dollars by multiplying the 1935 price by 2.543. This multiplier was obtained by dividing the February 1961 Wholesale Price Index for "Agricultural Machinery Including Tractors," as published by the U.S. Bureau of Labor Statistics, 1958 (1947-49 = 100), by the 1935 index of 1. The 1935 price of the 1961

"2010" Tractor was obtained by multiplying the February 1961 price, \$2122 by 0.645 which is the quotient of the B.L.S. index of 47.3 for 1958 divided by the index of 148.5 for February 1961. The result in both cases is a price corrected for the general decrease in the value of the dollar between 1935 and February 1961 in the wholesale farm machinery sector of the U.S. economy.

The "2010" could not have been built in 1935. It incorporates latest developments in gear train design, hydraulics, and features as well as new types of materials. A 1935 price for the 1961 "2010" is calculated for comparison only.

APPENDIX "C"

DEERE AND COMPANY
AND CONSOLIDATED SUBSIDIARIESStatement of Consolidated Income and Earned Surplus
for the Years Ended October 31, 1960 and 1959

	Year Ended October 31	
	1960	1959
Sales and other income:		
Net Sales.....	\$468,511,598	\$542,538,447
Interest and miscellaneous income.....	9,828,449	8,571,123
Total sales and other income.....	478,340,047	551,109,570
Less:		
Cost of goods sold.....	371,802,732	373,301,843
Shipping, selling, administrative and general expenses.....	64,932,301	66,916,579
Provision for Federal, Canadian and state income taxes....	14,000,000	53,500,000
Interest paid and miscellaneous charges.....	9,851,802	8,940,397
Total deductions.....	460,586,835	502,658,819
Net income for the year.....	17,753,212	48,450,751
Earned surplus at beginning of year.....	257,171,639	232,927,077
Total.....	274,924,851	281,377,828
Less Dividends Declared:		
Cash Dividends (\$2.00 a share in 1960 and 1959).....	13,802,000	13,400,000
Stock dividend of 3% declared October 27, 1959, payable January 2, 1960, fair market value of 201,000 shares transferred from earned surplus to common stock account.....	—	10,806,189
Total dividends declared.....	13,802,000	24,206,189
Earned surplus at end of year (Note 2).....	\$261,122,851	\$257,171,639

The accompanying notes to the financial statements are an integral part of this statement.

DEERE AND COMPANY

AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheet, October 31, 1960 and 1959

ASSETS

October 31

	1960	1959
Current assets:		
Cash.....	\$ 26,093,284	\$ 13,329,237
Receivables:		
Accounts.....	194,893,188	218,719,635
Notes, less unearned interest of \$5,194,863 in 1960 and \$10,402,349 in 1959.....	36,094,724	81,373,557
Total.....	230,987,912	300,093,192
Less reserves for returns and allowances and doubtful receivables.....	11,500,000	12,500,000
Receivables—net.....	219,487,912	287,593,192
Inventories (Note 3).....	144,383,135	159,079,225
Total current assets.....	389,964,331	460,001,654
Property and equipment—at cost.....	245,442,141	218,563,822
Less reserves (Note 4).....	125,649,869	120,541,083
Property and equipment—net.....	119,792,272	98,022,739
Investments in and advances to subsidiaries not consolidated (Note 1).....	80,095,588	56,557,353
Other assets.....	3,460,811	3,228,005
Deferred charges.....	3,875,432	4,071,501
TOTAL.....	\$597,188,434	\$621,881,252

LIABILITIES

October 31

	1960	1959
Current liabilities:		
Bank loans.....	\$ 45,000,000	\$ 40,500,000
Accounts payable and sundry obligations.....	48,924,969	42,258,412
Dividends payable.....	3,450,500	3,350,000
Accrued taxes.....	15,823,913	54,441,730
Total current liabilities.....	113,199,382	140,550,142
Funded debt (Note 2):		
Twenty year 2-3/4% debentures due April 1, 1965.....	12,261,000	12,796,000
Twenty-five year 3-1/8% debentures due July 1, 1977.....	47,500,000	48,499,000
Twenty-five year 4-1/2% subordinated debentures due August 1, 1983.....	53,689,500	53,700,000
Total funded debt.....	113,450,500	114,995,000
Pension and miscellaneous reserves (Note 5).....	17,551,230	17,300,000
Common stock and earned surplus:		
Common stock—at stated value (\$1 par value per share)—authorized, 10,000,000 shares; issued and outstanding, 6,901,000 shares..	91,864,471	91,864,471
Earned surplus (Note 2).....	261,122,851	237,171,639
Total common stock and earned surplus.....	352,987,322	349,036,110
TOTAL.....	\$597,188,434	\$621,881,252

The accompanying notes to the financial statements are an integral part of this statement.

1. All wholly-owned United States and Canadian subsidiaries except John Deere Credit Company are consolidated herein. A balance sheet of John Deere Credit Company is shown separately on Page 25.

The investments in and advances to unconsolidated subsidiaries as of October 31, 1960 and 1959, carried at cost less reserves, are summarized as follows:

	October 31	
	1960	1959
John Deere Credit Company.....	\$ 40,521,734	\$ 28,010,572
John Deere Intercontinental, S. A. (Incorporated in Venezuela).....	23,743,546	18,157,811
John Deere-Lanz A. G. (Incorporated in West Germany).....	14,385,406	10,388,970
John Deere S. A. (Incorporated in Switzerland).....	1,444,902	—
Total carrying value.....	\$ 80,095,588	\$ 56,557,353
Approximate excess of the Company's equity in the net assets of the unconsolidated subsidiaries over its investment therein as shown above.....	\$ 5,500,000	\$ 3,500,000

The Company follows the conservative practice of charging consolidated net income with the loss of any subsidiary not consolidated but does not include in consolidated net income any earnings of unconsolidated subsidiaries, other than income offsetting prior losses charged to income, until they are received as dividends; no dividends were received from any unconsolidated subsidiary during 1960. If net income of the unconsolidated subsidiaries was included in consolidated income, it would result in increasing the latter by approximately \$2,000,000 in 1960.

2. Under the most restrictive terms of any of the indentures covering the Company's debentures, \$84,712,941 of the consolidated earned surplus balance of \$261,122,851 at October 31, 1960 was free of restrictions (involving the amount of consolidated earned surplus and also certain ratios of assets to liabilities) as to payment of dividends or reacquisition of the Company's stock.

The 1945 and 1952 indentures require the redemption annually of varying amounts of $2\frac{3}{4}$ and $3\frac{1}{8}$ per cent debentures. The 1961 requirement to retire \$2,050,000 principal amount of these debentures has been fulfilled.

The 1958 indentures requires the redemption annually of \$2,700,000 principal amount of $4\frac{1}{2}$ per cent subordinated debentures beginning in 1965.

3. Since 1950, substantially all of the inventories owned by Deere & Company and its United States subsidiaries have been priced at cost on the "last-in, first-out" method. Inventories of the Canadian subsidiary have been priced generally at the lower of cost or market on a "first-in, first-out" basis.

4. The provision for depreciation amounted to \$17,575,354 in 1960 and \$14,541,289 in 1959. Included in the 1959 amount is \$1,148,123 representing amortization of facilities written off over a five-year period under Certificates of Necessity issued by the Federal Government to the John Deere Chemical Company. There is no similar amortization included in the 1960 figure.

5. Past service costs of a noncontributory pension plan established in 1908, as amended, which have not been founded or provided for in the reserve for pensions or otherwise were approximately \$19,400,000 as of October 31, 1960 and \$18,400,000 as of October 31, 1959.

The Companies have complied with all funding provisions applicable to the plan and for the years 1960 and 1959 paid \$9,477,764 and \$10,935,196, respectively, to the pension trusts and pensioned employees to cover service requirements of the plan. The payment for 1960 applicable to the pension trust for United States employees was made in December, 1960 and is included in current liabilities on October 31, 1960. Of the amounts paid, \$9,077,764 in 1960 and \$9,411,887 in 1959 were charged to costs and expenses in those years, and the remainder was charged to pension reserves previously created from income.

6. On April 26, 1960, stockholders of the Company approved an incentive stock option plan by which 335,000 shares of the Company's common stock are made available for option for the period ending December 31, 1970. Options are to be granted annually at an option price equal to the fair market value of the shares on the date the option is granted, and are in no event to terminate more than ten years from the date of grant. The first group of options was granted on January 3, 1961 and consisted of approximately 6,000 shares.

11
HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11



Respecting

PRICES OF FARM MACHINERY

FRIDAY, MAY 26, 1961

WITNESSES:

From the Saskatchewan Wheat Pool: Mr. C. W. Gibbings, President, and
Mr. Robert Phillips, Research Analyst.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-</i> <i>Kent</i>)	Horner (<i>Jasper-Edson</i>)	Regnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Rompre
Danforth	Korchinski	Slogan
Doucett	Latour	Southam
Drouin	Leduc	Stefanson
Dubois	Mandziuk	Tardif
Dupuis	McIntosh	Thomas
Fane	Michaud	Thompson
Forbes	Milligan	Tucker
Forgie	Montgomery	Villeneuve
Godin	Muir (<i>Lisgar</i>)	Webb—60.
Gundlock	Nasserden	
	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, May 26, 1961.
(22)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Mssrs. Campbell (*Lambton-Kent*), Clancy, Clermont, Doucett, Fane, Forbes, Gundlock, Henderson, Horner (*Acadia*), Knowles, Korchinski, McBain, Mandziuk, Milligan, Montgomery, Muir (*Lisgar*), Noble, Peters, Rapp, Regnier, Ricard, Rompre, Slogan, Southam, Stefanson, Thomas, Tucker, and Villeneuve. (28)

In attendance, from the Saskatchewan Wheat Pool: Mr. Charles W. Gibbings, President and Mr. Robert Phillips, Research Analyst.

Agreed: That the financial statements of Massey-Ferguson Limited (*see appendix "A"*) and International Harvester Company of Canada Limited (*see appendix "B"*) for the year 1960 be made appendices to this day's Minutes of Proceedings and Evidence.

Agreed: That the Clerk of the Committee be instructed to write to Noble Cultivator Company, Nobleford, Alberta, regarding their farm machinery prices.

Agreed: That Volume 2 of the Saskatchewan Wheat Pool brief on farm machinery prices be made an appendix to this day's Minutes of Proceedings and Evidence (*see appendix "C"*).

The Chairman introduced the officials of the Saskatchewan Wheat Pool. Mr. Gibbings presented the brief on their behalf.

The Committee questioned the officials of the Saskatchewan Wheat Pool on their brief.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING (23)

The Committee reconvened at 2.45 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Clancy, Clermont, Fane, Forbes, Gundlock, Henderson Hicks, Horner (*Acadia*), Knowles, Korchinski, Lahaye, McBain, Mandziuk, Milligan, Muir (*Lisgar*), Noble, Regnier, Rompre, Slogan, Southam, Stefenson, Tardif, Thomas and Tucker. (24)

In attendance: same as at morning sitting.

The questioning of the officials of the Saskatchewan Wheat Pool was concluded.

On behalf of the Committee the Chairman thanked the officials of the Saskatchewan Wheat Pool for their appearance.

At 5.00 p.m. the Committee adjourned until Monday, May 29th at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

FRIDAY, May 27, 1961.

The CHAIRMAN: Gentlemen, we are pleased to have with us this morning the Saskatchewan wheat pool. Before I introduce the gentlemen representing the pool, there are a few matters we must take up. The first one is in reference to the financial statements of Massey-Ferguson and International Harvester. Would it be agreeable to the committee that these be made appendices to today's evidence?

Mr. HORNER (*Acadia*): You mean just the financial statements?

The CHAIRMAN: Yes, the double sheet.

Mr. FORBES: That is the balance sheet.

The CHAIRMAN: It is actually the balance sheet.

Mr. HORNER (*Acadia*): I wonder about this. In the Massey-Harris report, just preceding the consolidated balance sheet, there is a very good statement of the cost of goods and services. It is called a statement of consolidated income. I quoted from it a number of times when I was examining them.

The CHAIRMAN: That part will be included.

Mr. HORNER (*Acadia*): That is fine.

The CHAIRMAN: Is it agreed?

Agreed.

Mr. HORNER (*Acadia*): I wonder if the committee would consider this: we have been studying the cost of farm machinery and it has come to my attention that a well-known firm in Alberta, the Noble Cultivator Company Limited, at Nobleford, to the best of my knowledge has not had a price increase in their main product over the last ten years. This company employs about 70 employees, and it is in the business of selling farm machine implements. I would suggest that the clerk of the committee write to this company asking them if it is a fact that they have not had a major price increase in the last ten years, and if they employ in the neighbourhood of 70 employees? And when the clerk receives an answer from the company, if these facts are true, I suggest we hear from this company as to how they have continued to make farm machinery and to have grown in actual volume, yet have not had a price increase in the past ten years. I wonder if the committee would agree with me that we should contact this firm and ask them if this is so, and providing it is so, I wonder if the committee should not hear from them.

Mr. MUIR (*Lisgar*): Why not ask them what price increases they have had?

Mr. VILLENEUVE: I think it would be worthwhile to find out how they are operating.

Mr. HORNER (*Acadia*): This information was told to me by a person working for the Noble Enterprises at Nobleford. He was not an actual employee in the factory. This was told to me at the end of January, which was not too long ago. And the thought occurred to me that this was a company we should have here to tell us how they can continue to produce machinery and not have a major price increase for the past ten years. But perhaps rather than to request them to appear, we might contact them first to see whether or not these facts are true, and find out what machinery they are actually making. Then the committee might decide whether or not it wished to hear from them.

The CHAIRMAN: Is there any further discussion?

Mr. SLOGAN: Perhaps you might ask them, in that same letter, whether or not they would be interested in appearing before us.

The CHAIRMAN: Our only difficulty is that our days are pretty well taken up. We have two meetings already scheduled for June; and possibly to bring in a report it would take at least two meetings; and we expect to have the board of grain commissioners and the wheat board come down here for a review.

Mr. VILLENEUVE: If you found that they substantiate the statement made by Mr. Horner, that there has not been any increase, then I think very definitely this committee should take action, and that they should be given an opportunity to be heard; because, after all, whether or not they are a small operation, according to the facts that have been mentioned, this would relate to the very problem that we are investigating.

Mr. SOUTHAM: Even if we do not have time to have them come as witnesses, perhaps we could receive a brief from them which our steering committee could study and have incorporated in our evidence. They would seem to have a lot of light to throw on the subject.

The CHAIRMAN: Is it agreed that Mr. Lyons contact this company?

Agreed.

The CHAIRMAN: And then the committee could contact them further.

Mr. HORNER (*Acadia*): This town of Nobleford is in one of the best provinces in Canada.

The CHAIRMAN: I do not know if you could get all the committee to agree on that one.

Mr. SOUTHAM: I thought Mr. Horner was referring to something which was started by the Saskatchewan government.

The CHAIRMAN: Today we have another lengthy brief. Might I suggest that we take the tables and farmers' views as inserted in volume 1 of the brief as read, and have the reporters place them in their proper places? Then our witness could read the main text. May I also suggest that volume 2 of the brief be made an appendix to today's minutes of proceedings and evidence. Is it agreed?

Agreed.

The CHAIRMAN: We are very pleased to have with us Mr. Charles W. Gibbings, president of the Saskatchewan wheat pool, and Mr. Robert Phillips, research analyst for the Saskatchewan wheat pool. I now call on Mr. Gibbings to present his brief.

Mr. CHARLES W. GIBBINGS (*President, Saskatchewan Wheat Pool*): This submission by Saskatchewan wheat pool is based primarily on the replies from 887 farmers to a mailed questionnaire seeking information about their acquisition, maintenance and use of farm implements and machinery. More than 80 per cent of the farmers who were asked to complete the questionnaire responded by mail within a month. This unusually heavy response indicates the farmer's wide interest in and concern about the state of the farm machinery situation.

The questionnaire also asked: "What suggestions can you make to improve the farm machinery situation either for new machinery sales and distribution or availability of parts and repairs?" and "Do you have any comment to make on price of new equipment or repair parts?". Farmers who replied provide some useful views, many of which will be considered in the body of this submission.

In making this submission to the standing committee of the House of Commons on agriculture and colonization, Saskatchewan wheat pool represents not only its 77,500 member patrons¹ but also the entire Saskatchewan farming

community now estimated to number about 97,000 farmers. The wheat pool is the largest farmer-owned producer organization in the province and has traditionally maintained policy positions for the improvement of the industry as a whole and for the betterment of farming and living conditions for all farmers.

Saskatchewan wheat pool's share of the total crop and livestock market in the province remains significant. In the crop year, ended July 31, 1960, the country elevator division handled 50.50 per cent of all grain marketed in the province and 51.67 per cent of the wheat crop. Saskatchewan farmers in total produced 56.10 per cent of all wheat grown in Canada and 37.92 per cent of total grain production. The livestock division handled (through the four public stock yards it owns and the three others in which it operates facilities) 50.15 per cent of all cattle and calves sold in public, 27.99 per cent of the hogs and 39.15 per cent of sheep and lambs. In recent years Saskatchewan farmers have together accounted for about 20 per cent of all cattle marketed in Canada, for about 10 to 14 per cent of all calves and for about 10 per cent of all hogs. Saskatchewan's share of total sheep and lamb production is relatively less significant.

Saskatchewan wheat pool also operates a flour mill and an oil seed extraction plant in Saskatoon and maintains a printing division which engages in commercial printing and publishes the weekly *Western Producer* which has a circulation throughout Canada.

Price concerns farmers

Saskatchewan wheat pool submits at the outset that your terms of reference, which were to "enquire into the prices of farm machinery and to report to the house thereon," in truth touch upon the major concern of farmers. At least 758 of the 887 sample farmers who replied to the questionnaire consider the price of farm machinery and its repair parts too high. This concern was registered about equally in all of the 16 wheat pool districts and by farmers on both smaller and larger farms alike.

However, Saskatchewan wheat pool holds that simply to enquire into prices of machinery would not be enough. The survey suggests and our wide experience confirms that many other factors affect farmers' ability to acquire and maintain adequate farm machinery and it is the total picture—price as well as these other factors—which concerns Saskatchewan wheat pool as a spokesman for organized farmers in Canada's principal grain province.

In 1953, a provincial royal commission in Saskatchewan studied farm mechanization during its investigation of agriculture and rural life. Its report on mechanization and farm costs², one of 15 individual reports published after its three-year study, considered various enquiries of the past into the farm machinery situation and of these said this:

Every one of these enquiries placed major emphasis on the manufacturing industry and its distributive system. Relatively little attention was paid to bringing about a better understanding of the effect of mechanization on the agricultural industry itself. In the opinion of this Commission an investigation of the state of mechanization in the agricultural industry is more important at this time than a restudy of the price aspect. While it may be shown that inequities exist in the prices which farmers must pay for machinery, we cannot be blind to the deficiencies of agriculture itself.

¹ Saskatchewan wheat pool records show that in the crop-year 1958-59 a total of 76,977 individual farmers delivered some of their grain and livestock for marketing to wheat pool facilities and received excess charges refunds, and that in 1959-60 a total of 77,500 individual farmers were listed as member patrons eligible to receive refunds.

² Report of the Saskatchewan royal commission on agriculture and rural life, volume 2, *Mechanization and Farm Costs*, (Queen's Printer, Regina), 1955, page 3.

Other Factors Important

In this submission Saskatchewan wheat pool will have considerable to say about price and the discernible factors which contribute to its increase. But this submission is also concerned in a major way with the larger aspect of farm mechanization and will present details to indicate the extent of mechanization today among the sample group of 887 farmers, and will consider how they acquire machinery, how they keep it in repair and how they use it.

Lest there be any misunderstanding between those who present this submission and those to whom it is presented, Saskatchewan wheat pool states without equivocation that it believes that current prices for farm machines and implements and for their repair parts are too high. One of the sample farmers supplied the following from his own experience to indicate what he thinks of the situation.

The farmer operates seven quarter sections in wheat pool district 14, which is in the northeastern part of the province. This view merits recording here as a sample of Saskatchewan farmer opinion. He said:

It seems superfluous for me to say that machine prices are absolutely out of line with prices received for farm goods. For instance, in 1947 I paid the equivalent of 1,800 bushels of No. 2 wheat for a 12-foot combine. In 1952 I paid the equivalent of 3,800 bushels of No. 2 wheat for a 12-foot combine and in 1960 the same 12-foot combine would have cost me 6,400 bushels of No. 2 wheat.

An examination of the indices used by the bureau of statistics to compare the prices of commodities and services used by farmers shows that in the last 10-year period the index for farm machinery prices has increased by more than 50 per cent—a greater increase than for the index for any of 12 other commodities and services considered in the D.B.S. report³.

TABLE I

INDICES FOR PRICES OF COMMODITIES AND SERVICES USED BY FARMERS⁴ 1950 AND 1960 COMPARED
(BASE 1935-39 = 100)

Commodity or Service	August 1950	August 1960	Percentage increase or (decrease)
Composite index including living costs (estimated)	203.3	256.3	26.1
Equipment and materials	192.5	228.2	18.5
Taxes and interest rate	155.4	207.5	33.5
Farm wage rates	428.0	624.2	45.8
Farm family living	183.1	223.2	21.8
<i>Farm machinery</i>	<i>167.1</i>	<i>253.9</i>	<i>51.9</i>
Building materials, gasoline	317.2	357.8	12.8
Oil and grease	138.5	143.1	3.3
Feed	234.0	217.2	(7.2)
Compound fertilizer	139.3	175.2	25.8
Binder twine	298.0	226.1	(24.1)
Seed	233.5	198.8	(14.9)
Hardware	172.5	251.7	45.9

³ D.B.S. Price index number of commodities and services used by farmers (catalogue 62-004), August 1950 and 1960.

⁴ The Canadian federation of agriculture submission devoted more detail to considerations of farm machinery price increases and we commend study of that submission to members of this committee.

This comparatively high increase for the price index of farm machinery was during a decade when post-war farm mechanization was rapid. In the same 10-year period the index for the prices of farm products actually declined from 251.5 in 1950 to 200.8 for 1960, about 20 per cent⁵. This is the reason why farmers complain volubly about farm machinery and repair part prices and why they welcome this present investigation of farm machinery prices by this parliamentary committee.

However, price aside, there are other problems which contribute in one way and another to the increased burden to the farmers of machinery costs. This submission will concentrate on these other factors. This is not to say that prices are not a major concern. They most certainly are *the* major concern. The other factors, however, may not be fully recognized by people not directly engaged in farming on the prairies and the farmers who collectively and co-operatively own and operate Saskatchewan wheat pool believe themselves adequately qualified to introduce data and opinions about these other factors.

Saskatchewan wheat pool would wish to remind members of this committee that our farm organization was a founding member of the Canadian federation of agriculture and has been and still is an active supporting member of the C.F.A. and its policies. Spokesmen for C.F.A. have already appeared during this investigation to present views and recommendations for your consideration. While the C.F.A. submission deals with the question before you in a different way from the approach of this submission, our officials and directors would remind you that it also speaks for the Saskatchewan farmer and that Saskatchewan wheat pool supports the C.F.A. presentation.

CHAPTER 1: THE CHANGING SCENE

While the Canadian population has increased by about 50 per cent in the last generation, the population of Saskatchewan has increased only slightly. There now are fewer people on Saskatchewan farms than there were in 1941, the farms are larger and there are, of course, fewer farms. The scene on the farm itself has changed greatly: the internal combustion engine has provided power to replace the horse, farm implements themselves have changed in a way to give the farmer more effective cultivating and harvesting machines, new crops have been introduced and more farmers have entered livestock production.

These changes have occurred for many reasons not least of which has been the marked improvement in the availability and quality of farm machinery and implements. Improved machinery has allowed one man to operate a larger farm and to engage in a wider variety of farm production. The shortage of farm labor has contributed to the need for increased productivity per farmer. The continuing quest for higher cash income per farm has also encouraged the farmer into more diversified production and the existence of improved machinery has helped to make this diversification possible.

Disturbing paradox

Your committee has already heard much about the influence of improved farm machinery and equipment on increased farmer productivity. However, the farmer believes that he personally benefits less from this improved productivity than does the economy as a whole. It is a disturbing paradox. On the one hand the farmer acquires more and improved machinery to reduce his unit production costs in an attempt to show an increased net return after his produce has been marketed. But on the other hand, the capital expenditures for

⁵ D.B.S. *Index numbers of farm price of agricultural products* (catalogue 62-003) January 1961. (The base period 1935-39 equals 100).

TABLE II
INDICES OF THE CHANGING FARM SCENE IN SASKATCHEWAN¹

	1941	1951	1956	1960 (estimated)
Population				
Canada.....	11,571,000	14,009,429	16,080,791	17,814,000
Saskatchewan total.....	895,992	831,728	880,665	910,000
Saskatchewan rural.....	600,846	579,258	558,662	540,000
Saskatchewan farms.....	126,900	112,018	103,391	97,000
Av. farm size (acres).....	473	551	607	640
% farms reporting				
Automobiles.....	40.2	54.4	60.6	²
Trucks.....	14.6	44.0	63.9	
Tractors.....	37.0	80.6	88.8	
Grain combines.....	7.8	36.8	56.8	
% farms reporting				
Horses.....	77.5	70.8	55.5	na ³
Cattle.....	75.9	74.6	72.6	
Pigs.....	60.5	52.3	46.8	
Crop acreage, production				
Wheat acreage.....	15,571,000	16,500,000	14,000,000	14,803,000
Production (bu.).....	266,700,000	272,000,000	320,000,000	232,000,000
Rapeseed acreage.....	Nil	400	123,000	550,000
Production (pounds).....	Nil	120,000	68,000,000	407,500,000

¹ Canada census report and D.B.S. reports of grain production. Estimates of population and number of farms from government of Saskatchewan department of agriculture reports.

² Farmers answering the wheat pool's mailed questionnaire indicated increased ownership of these four kinds of machines. The ratio between the group and the number of farmers reporting automobiles is 1 to .38, for trucks 1 to .95, for tractors 1 to 1.28 and for grain combines 1 to .92.

³ More than 80 per cent of the sample farmers say they operate mixed farms, indicating an increase in the incidence of livestock on Saskatchewan farms since 1956. No official sources have estimated the number of farms reporting these kinds of livestock since the 1956 intra-census report.

improved machinery and equipment so inflate the farmer's total production costs that the increased productivity often accomplishes little more than to forestall a real reduction in his net return in the face of falling farm prices. Without the improved machinery he might be forced out of business but to pay for it he often comes mighty close to being forced out of business.

These claims of relative impoverishment are made by members of the Prairie farm community to explain in part their real concern over the rising cost of improved farm equipment and machinery and of their repair parts. Some of the factors involved in these claims will be considered in the body of this submission.

Biggest Farm Machine Market

Because of the importance of grain production to the Saskatchewan economy, the province provides the biggest Canadian market for farm implements and machinery and also machinery repair parts. There are a number of indices to demonstrate the importance of the machinery industry to Saskatchewan and of Saskatchewan to the machinery industry.

In the matter of grain production, Saskatchewan fields produce on an average about 40 per cent of all grains produced in Canada annually. They produced nearly 60 per cent of all wheat grown in Canada.

Agriculture remains the principal source of income to the province in terms of the net value of commodity production although its relative position among total commodity production is declining as other industries increase in importance.

TABLE III
NET VALUE OF COMMODITY PRODUCTION IN SASKATCHEWAN BY INDUSTRY
(in million dollars)⁴

	1954	1955	1956	1957	1958	1959	1960
	\$	\$	\$	\$	\$	\$	\$
Agriculture.....	250	514	625	314	348	375	496
Non-Agriculture.....	334	337	420	467	507	499	507
Mining.....	35	45	76	130	159	160	161
Electric Power.....	17	19	22	24	26	30	34
Manufactures.....	104	113	114	110	124	130	129
Construction.....	171	151	199	196	191	172	175
Forest, fish, trapping.....	7	9	9	7	7	7	8
TOTALS.....	584	851	1,045	781	855	874	1,003

Grain brings most farm cash income

Grain production in Saskatchewan accounts not only for the biggest slice of the province's farm cash income from all sources but cash income from grain production in Saskatchewan also accounts for more than one-third of total cash income from grain for all of Canada. Both of these demonstrate the importance of farm machinery to the Saskatchewan farm.

TABLE IV
TOTAL FARM CASH INCOME (IN MILLIONS OF DOLLARS) AND CASH INCOME FROM CROPS ONLY COMPARED FOR CANADA AND SASKATCHEWAN 1954-59.⁵

	1954	1955	1956	1957	1958	1959
CANADA						
Income from wheat.....	321.3	329.5	461.8	379.4	435.5	422.3
Income from all crops.....	796.1	731.1	984.6	970.9	996.6	997.0
Total cash income.....	2,394.8	2,390.5	2,646.9	2,575.3	2,873.4	2,808.1
SASKATCHEWAN						
Income from wheat.....	200.5	198.9	289.0	230.5	272.5	258.0
Income from all crops.....	340.6	292.1	457.0	383.7	381.0	379.0
Total cash income.....	473.2	446.8	598.2	537.9	605.1	572.4
% of cash income from crops	71.98	65.38	76.40	71.33	62.96	66.21

This suggests the important potential market in Saskatchewan for farm machines. Figures recording the actual sales of both new machines and repair parts in the last 10 years demonstrate that on the average Saskatchewan farmers purchased something like 25 per cent of all Canadian farm machines and implements marketed and something approaching 30 per cent of all repair parts marketed.

⁴ *Saskatchewan Economic Review* (Queen's Printer, Regina) March 1961, page 7. Figures for 1959 and 1960 are estimates only.

⁵ D.B.S. *Farm Cash Income* (catalogue 21-001) various years.

TABLE V—(A)

FARM IMPLEMENT AND EQUIPMENT SALES (IN TERMS OF WHOLESALE PRICES) FOR CANADA WITH PERCENTAGE OF TOTAL SALES ACCOUNTED FOR BY EACH OF THE PRAIRIE PROVINCES.⁶

Year	Canada total \$ millions	Manitoba % of Canada total	Saskatchewan % of Canada total	Alberta % of Canada total
1950.....	218.2	13.43	28.69	20.67
1951.....	235.6	13.46	25.93	20.50
1952.....	250.3	12.62	30.32	21.37
1953.....	238.1	11.76	33.73	21.55
1954.....	146.7	10.43	25.49	19.09
1955.....	153.1	9.86	21.16	18.35
1956.....	169.8	10.95	23.97	19.26
1957.....	149.9	9.81	21.48	20.61
1958.....	172.0	10.29	21.45	22.03
1959.....	212.2	11.36	23.80	22.57

TABLE V—(B)

IMPLEMENT REPAIR PARTS SALES (IN TERMS OF WHOLESALE PRICES) FOR CANADA WITH PERCENTAGES OF TOTAL SALES ACCOUNTED FOR BY EACH OF THE PRAIRIE PROVINCES.

Year	Canada total \$ millions	Manitoba % of Canada total	Saskatchewan % of Canada total	Alberta % of Canada total
1950.....	29.9	12.71	26.76	24.08
1951.....	28.8	13.19	28.47	23.61
1952.....	31.2	12.18	31.41	23.72
1953.....	31.8	12.58	31.76	23.58
1954.....	27.3	12.09	28.94	21.98
1955.....	28.5	12.28	27.72	22.11
1956.....	31.8	12.26	29.56	22.01
1957.....	33.8	11.83	27.81	21.60
1958.....	34.0	11.18	27.94	22.35
1959.....	38.9	11.57	28.02	21.85

⁶ D.B.S. *Farm Implement and Equipment Sales* (catalogue 63-203) various years.

CHAPTER 2: SASKATCHEWAN FARMERS, FARMS AND MACHINERY

Saskatchewan wheat pool's survey sampled opinion on a variety of questions relating to the acquisition, the maintenance and the use of farm machinery, particularly in the years 1958-60. This document does not claim that the sample of 887 farmers who replied to the questionnaire represents the total of all Saskatchewan farmers but it does claim that their views, however unrepresentative, serve a useful purpose in the deliberations of this standing committee on agriculture and colonization.

How different the 887 farmers actually are to the total of all farmers is, at the moment, a matter of opinion. Many of the factors demonstrated by the survey may be compared in time to the returns available after the 1961 census report is completed. Until that yard stick is available many of the conclusions about Saskatchewan farmers demonstrated by the survey must be assumed to be useful and accurate. All factors were compared in the survey to a smaller more-random selection and for no single factor did the comparisons suggest the sample of 887 unsuited to the purpose of this submission.¹

¹ Detailed analysis of the questionnaire's 32 questions together with comparisons of replies from the 887-member sample with replies from a 41-member random selection are contained in the report of the survey, a copy of which is attached as volume II of this submission. The term "random selection" used occasionally in this volume, refers to the 41-member group used for comparison.

Saskatchewan wheat pool claims in this submission that many of the views contained in this document are in fact representative of the views of all farmers even though in time the nature of the sample itself may be shown to be in some respects unrepresentative. These views will be considered in detail in this document and conclusions arising therefrom will be presented as recommendations to this committee in its enquiry "into the prices of farm machinery."² In fact, it may be concluded that should the sample of 887 be determined to be "unusual" farmers in the sense that they operate bigger-than-average farms or are better mechanized than the average for the province as a whole, that their considered views on the subject now under investigation are really of more use to this committee than would be a compilation of the concensus of total views.

Farm Size Increasing

Farmers in the sample group of 887 appear to operate larger farms on the average than did all farmers in the province at the time of the 1956 inter-census estimate.³ The census showed that the average farm size in 1956 was 607 acres or about 3.8 quarter sections. Calculations from the 1960 survey show that the sample group has an average farm size of about 5.25 quarters or 840 acres. How much actual increase there has been in average farm size cannot be concluded from these figures but they do indicate and experience confirms that there has been a major increase in the last five years.

TABLE VI

FARM SIZE DISTRIBUTION IN 1956 COMPARED WITH FARM SIZE DISTRIBUTION FOR THE 1960 SAMPLE
(one quarter section = 160 acres)

1956 Inter-census report		1960 survey	
Size in acres	Percentage of total farms	Sample size in quarters	Percentage of total farmers
1- 479 acres.....	43.7	1-3	28.6
480- 639 acres.....	18.2	4	21.6
640- 959 acres.....	21.3	5-6	23.8
960-1,279 acres.....	7.8	7-8	13.5
Over 1,280 acres.....	6.7	Over 8	14.3
Farms: 103,391.....	100.0	Sample: 887	100.0

Fewer of the farms in the sample of 887 are reported at four quarters or less than were total farms in 1956. The sample group also reports more farms over eight quarters in size than were reported in 1956.

Mixed farming widespread

Just over 80 per cent of the sample farmers operate mixed farms, 19 per cent operate grain-only farms and fewer than one per cent have livestock-only operations.⁴ It has been assumed, with some justification, that the factor which makes most farms "mixed" is diversification into livestock production by farmers who are also grain farmers.⁵ The number of cattle other than milch

² From the terms of reference establishing this investigation.

³ See survey report, question 2.

⁴ See survey report, question 3.

⁵ Statistics in the annual report of the Saskatchewan department of agriculture, March 1961, show changes in the numbers of livestock on Saskatchewan farms at June 1, each year, on the following basis: (see table on top of page 842.)

Year	Horses	Milch cows	Other cattle	Total cattle	Sheep and lambs	Hogs
1931.....	997,400	424,000	764,900	1,188,900	281,000	949,000
1941.....	800,700	437,700	803,500	1,241,200	330,000	943,700
1951.....	303,900	316,200	958,600	1,274,800	136,100	533,300
1956.....	170,800	272,200	1,596,800	1,869,000	142,700	591,900
1957.....	160,000	261,000	1,659,000	1,920,000	154,000	633,000
1958.....	148,000	254,000	1,606,000	1,860,000	175,000	890,000
1959.....	132,000	248,000	1,602,000	1,850,000	187,000	845,000
1960.....	120,000	245,000	1,685,000	1,933,000	217,000	585,000

cows on Saskatchewan farms at June 1 each year has nearly doubled in the last decade. Sheep and lambs are up considerably in recent years and the hog population, which declined for some years after the war, has increased. Live-stock marketing from Saskatchewan farms has also increased considerably. In the last five-year period alone⁶ the number of cattle marketed by Saskatchewan farmers through public stock yards or by shipping direct from country points has increased from 393,467 animals in 1955 (19.23 per cent of the Canada total) to 441,754 animals in 1959 (20.23 per cent of the Canada total). Marketing of calves in the same period has risen from 86,003 in 1955 (9.33 per cent of the total) to 127,087 in 1959 (14.23 per cent of the total) and of hogs from 562,359 in 1955 (9.50 per cent of the total) to 908,343 in 1959 (10.6 per cent of the total).

TABLE VII

DISTRIBUTION OF FARMING TYPE BY FARM SIZE AMONG 880 SASKATCHEWAN FARMERS

Farmers reporting by farm size in quarter sections		All grain		All livestock		Mixed farming	
Size	Farmers	No.	% of total	No.	% of total	No.	% of total
1Q.....	18	2	1.2	—	—	16	2.2
2Q.....	107	27	15.9	1	25.0	79	11.2
3Q.....	125	28	16.5	—	—	97	13.7
4Q.....	191	33	19.4	1	25.0	157	22.2
5Q.....	114	27	15.9	1	25.0	86	12.2
6Q.....	96	15	8.8	1	25.0	80	11.2
7Q.....	62	7	4.1	—	—	55	7.9
8Q.....	57	10	5.8	—	—	47	6.6
Over+8Q.....	110	21	12.4	—	—	89	12.3
+9Q.....	32	4	2.4	—	—	28	3.9
+10Q.....	11	2	1.2	—	—	9	1.2
+11Q.....	18	4	2.4	—	—	14	1.9
+12Q.....	17	6	3.5	—	—	11	1.5
+Over 12Q....	32	5	2.9	—	—	27	3.8
TOTALS.....	880	170	100.0	4	100.0	706	100.0
Total farmers		All grain		All livestock		Mixed farming	
880		19.32%		0.45%		80.23%	

⁶ Canada Department of Agriculture *Livestock Marketing Review*, various years.

Moves to extend land holdings

Forty per cent of the sample farmers are still making payments on land purchases with the greatest number of these on the larger-sized farms.⁷ Fifty per cent of the farmers operate their farms on an owner-renter basis with the greatest number of these on the larger farms.⁸ This indicates that farmers are moving by both purchase and renting to extend their land holdings.

The owner-renter tenancy factor has increased greatly since the 1956 inter-census report when only 40 per cent of the farmers operated on this basis. At the same time the percentage of farmers who entirely own their land has dropped from 52.4 in 1956 to 40.1 in 1960 and the percentage of those entirely renting has about halved from 13.2 in 1956 to 6.7 in 1960. It is the smaller farmers who represent the highest percentage of farmers who both own all their land or rent all of it.

TABLE VIII
COMPARISON OF LAND TENANCY 1956 CENSUS AND 1960 SURVEY

Tenancy	1956 Inter-census		1960 Survey (Sample)		1960 Survey (Random)	
	No.	% of total	No.	% of total	No.	% of total
Owned.....	54,218	52.5	352	40.1	22	53.7
Rented.....	13,476	13.0	59	6.7	5	12.2
Owned-rented.....	35,034	33.9	467	53.2	14	34.1
Manager.....	663	0.6	Nil	—	Nil	—
Total farms.....	103,391	100.0	878	100.0	41	100.0

The sample farmers appear to show a greater increase in owner-renter tenancy than do farmers reporting in the random selection. However, it is the judgment of those closely related to farming in Saskatchewan that there has been a more marked change in tenancy than the random selection results would demonstrate and that the sample results demonstrate more accurately what has actually occurred in the last five years.

The sample farmers report larger farms than the average for the province in the 1956 inter-census report. This indicates sample farmers are extending their holdings further both by purchasing and renting additional land, and are diversifying their operations, particularly by extending their livestock production. The 887 farmers who made these points are on the whole a young group of men, they are well-educated, experienced at farming and actively interested in the communities in which they live. Most of them live on their land all year round and few of them or their wives have off-farm jobs. Most of them also operate without outside hired help.⁹

Saskatchewan wheat pool believes that the move to fewer and larger farms is going to continue although the rate of change may be expected to slow down unless there is some revolutionary technological development. Farmers individually and agriculture as an industry are also going to continue to seek out additional diversifications both to cushion the risks and to help individual farmers to improve their cash incomes. Both of these—the changes in farm size and extension of diversification—have a real effect on the demand

⁷ See survey report, question 5.

⁸ See survey report, question 4.

⁹ See survey report, questions 6, 7, 8, 9, 10, 11 and 12.

for farm implements and machinery. Farm size affects the farmer's demand for size and numbers of implements. Diversification, particularly expansion of livestock production, increases greatly the need for hay rakes and mowers, hammer mills and grinders, forage harvesters and the like, all implements used in preparation of feed for livestock.

Government policies must continue to recognize these developments and adjustments and must continue to help farmers rather than hinder them. Farm machinery companies must also continue to recognize these developments and be ready to supply improved machinery under arrangements the changing conditions can meet.

Tractors vs the horse

The tractor is the symbol of the co-called mechanical revolution which has swept the wheat-growing area of the prairies in the last generation. In 1921 there were more than one million horses on Saskatchewan farms and more than 90 per cent of the 119,451 farms had horses. Although the use of motorized machinery had not become prevalent by 1921, there were many farms which had tractors and had them at that date for some time. In 1921 the census recorded 19,243 tractors in use on Saskatchewan farms with 14.67 per cent of all farms reporting a tractor. By the following census the incidence of tractors had doubled and the incidence of truck and grain combines had become sufficiently wide-spread to merit separate reports for each. It is in the years since that the great increase in their use and the decline in the importance of the horse has developed.

TABLE IX
NUMBER OF TRACTORS 1921-60 COMPARED TO NUMBER OF HORSES

	1921	1931	1941	1956	1956	1960 estimates
Number of farms.....	119,451	136,472	138,713	112,018	103,391	97,000
Number of horses.....	1,077,882	997,426	800,693	303,853	170,769	132,000
% of farms reporting horses	90.4	81.6	77.5	70.8	55.5	na
Number of tractors.....	19,243	43,308	54,129	106,664	121,388	128,974
% of farms reporting tractors.....	14.7	28.9	37.0	80.6	88.8	na ¹⁰

Although there are still a great many horses on Saskatchewan farms there are no figures to indicate how many farmers actually account for these horses in total. Many farmers keep horses purely out of sentiment and for pleasure but few use horses for actual farm work. There is a clearer indication of the incidence of tractors, at least among the sample farmers.¹¹

The questionnaire shows the following on tractor incidence:

- 484 farmers (58.38 per cent of the 829 farmers replying) own one tractor new when purchased;
- 77 farmers (9.29 per cent of the total) own two tractors new when purchased;
- 11 farmers (1.33 per cent of the total) own three or more tractors new when purchased;

¹⁰ The survey report demonstrates that on an average there are 1.28 farmers with tractors for each farmer reporting. See question 24.

¹¹ Although the sample numbered 887 only replies from 829 farmers, the ones who identified in which wheat pool district their farm is located were considered for the machinery inventory question.

- 369 farmers (44.51 per cent of the total) own one tractor second-hand when purchased;
 109 farmers (13.15 per cent of the total) own tractors second-hand when purchased; and
 17 farmers (2.05 per cent of the total) own three or more tractors second-hand when purchased.

These figures establish that 572 farmers own at least 671 tractors which were new when purchased and that 495 farmers own at least 638 tractors which were second-hand when purchased and that 1,067 farmers own a total of 1,109 tractors. This does not prove that each sample farmer does in fact own at least one tractor but experience indicates most farmers do. It does show, however, that the total group of 829 sample farmers bears the relationship of 1 to 1.28 with the group of 1,067 farmer reports of tractor ownership.

Comparable calculations for the ownership among the 829 sample farmers of the other 20 kinds of machines and implements included in the machinery inventory indicate that fewer than the 829 farmers report ownership of any of the other implements. The following table demonstrates this to be so.

TABLE X

NUMBER OF SAMPLE FARMERS REPORTING OWNERSHIP OF VARIOUS MACHINES TOGETHER WITH THE RATIO OF FARMER REPORTS FOR EACH MACHINE TO TOTAL NUMBER OF FARMERS

Implement or Machine	Report new machines				Report second-hand machines				All farmers reporting		Ratio
	Total farmers	One mach.	Two mach.	3 or more mach.	Total farmers	One mach.	Two mach.	3 or more mach.	Total farmers	reporting	
Tractors.....	829	484	77	11	572	369	109	17	495	1,067	1.28/1
Trucks.....	829	308	27	1	336	379	65	9	453	789	.95/1
Automobiles...	829	371	4	2	377	351	3	—	359	736	.88/1
One-ways.....	829	256	1	—	257	281	24	1	306	563	.67/1
Diskers.....	829	405	14	—	419	180	9	—	189	608	.73/1
Cultivators....	829	493	42	4	539	266	22	—	288	827	.99/1
Seed drills....	829	250	16	1	267	298	8	—	306	573	.69/1
Harrows.....	829	427	19	1	447	312	18	2	332	779	.94/1
Sprayers.....	829	482	2	—	484	112	—	—	112	596	.72/1
Weeders.....	829	205	9	2	216	97	4	—	101	317	.38/1
Combines.....	829	442	11	—	453	297	10	3	310	763	.92/1
Swathers.....	829	401	5	—	406	250	4	—	254	660	.80/1
Binders.....	829	104	2	—	106	256	1	—	257	363	.44/1
Threshers.....	829	23	—	—	23	98	—	—	98	121	.15/1
Loaders.....	829	542	71	2	615	162	8	1	171	786	.95/1
Cleaners.....	829	262	13	—	275	155	7	—	162	437	.53/1
Grinders.....	829	309	2	1	312	251	6	—	257	569	.69/1
Hay mowers...	829	303	4	—	307	260	3	—	263	570	.69/1
Hay rakes.....	829	242	3	—	245	263	6	—	269	514	.62/1
Hay balers....	829	213	1	—	214	74	—	—	74	288	.35/1
Hay pickup....	829	37	1	—	38	20	—	—	20	58	.07/1

New vs second-hand machines

Farmers were asked to report how many of each kind of machine they have new or second-hand. More farmers report second-hand trucks, one-ways, seed drills, binders, threshers and hay rakes than new ones. Binders and threshers may have been acquired mainly as stand-by implements and farmers may consider second-hand ones sufficient. But the propensity for farmers to buy second-hand trucks, one-ways, seed drills and hay rakes, however is another matter. These four are relatively important implements and farmers are less able to get along without them. The fact more have second-hand than

new ones may indicate, as we suspect it does, that farmers actually need more of these machines than they can afford to buy new.

Detailed analysis of the inventory report indicates the following about tractors, trucks and grain combines, three of the principal machines.¹²

Tractors: More sample farmers report new tractors than second-hand tractors, with the larger farmers favoring new over second-hand tractors more than do smaller farmers. Larger farmers also report more tractors in total. This suggests that ability to purchase is a principal factor in the purchase of new tractors over second-hand tractors.

Trucks: More sample farmers own second-hand trucks than own new trucks. Only larger farmers have more new trucks than second-hand trucks. There is no clear indication for trucks as there was for tractors that ability to buy new trucks influences greatly the farmer's choice between a new truck and a second-hand truck.

Grain Combines: In total more sample farmers purchase new grain combines than second-hand ones. Fewer farmers own more than one combine than own more than one new tractor or truck. None of the group reports three or more new combines while some at least report three new tractors or trucks. The larger the farmer the more likelihood there is for him to have at least one new combine. This is clearly an indication that ability to pay influences a farmer's choice between a new or a second-hand combine.

In general, factors other than economics appear to influence the farmer's purchase of trucks and to a less extent tractors and grain combines.

Better second-hand machines

The apparent inability of smaller farmers to buy new equipment and their apparent dependence on second-hand equipment suggests that more attention should be given to improve the condition of second-hand machines. Saskatchewan wheat pool is aware that nearly every machinery dealer is equipped to resell used machinery he takes on trade for new models. Farmers replying to the survey indicate, however, that many of these dealers are not able or equipped to overhaul and repair the used machinery they offer for resale. The fact that the automobile industry has second-hand dealers able and willing to modernize and repair motor trucks offered for second-hand resale might have something to do with the fact that more farmers in the sample buy their trucks second-hand than buy new trucks. Availability of other machines and implements on an organized second-hand market might be one way industry could help the farmer meet his increasing demand for additional equipment.

One-third of inventory between \$10,000 and \$20,000

Thirty-seven per cent of the farmers report their machinery inventory valued at current prices between \$10,000 and \$20,000.¹³ About 50 per cent have machinery valued at less than \$10,000 and 11 per cent at more than \$20,000.

TABLE XI
PERCENTAGE OF 886 FARMERS WITH CURRENT VALUE OF FARM MACHINERY

Total replies		Under \$5,000	\$5,-\$10,000	\$10,-\$20,000	\$20,-\$30,000	Over \$30,000
886	100%	18.5	32.9	37.4	9.1	2.1

¹² See survey report, question 24, tables 24C for various machines.

¹³ See survey report, question 14.

The larger farmers generally have the highest valued machinery but a substantial percentage of larger farmers report machinery valued at less than \$10,000 and at least some of the smaller farmers report machinery valued at more than \$20,000. This suggests that some farmers have too much machinery and some too little.

The Saskatchewan Department of Agriculture has been operating farm management clubs throughout the province for the last two years. In 1958 there were 290 members of 22 clubs and in 1959 there were 455 members of 42 clubs. The 290 farmers in 1958 reported average investment in machinery and equipment of \$9,237 which was estimated at 17 per cent of their total farm investment. The 455 farmers in 1959 reported average investment in machinery and equipment of \$9,782 which was estimated again at 17 per cent of their total farm investment.

Comparing the results of the 1960 survey with results from the last two years of management club operations suggests that the sample farmers tend to have a larger investment in machinery and equipment. This assumes, of course, that the sample farmer's determination of "current value of farm machinery owned" is comparable to the management club member's determination of machinery investment.

Mixed farmers carry higher inventory

More grain farmers than mixed farmers in the sample record machinery valued at under \$5,000. More mixed than grain farmers report machinery valued between \$5,000 and \$30,000. Of the few with more than \$30,000 in machinery inventory, most are grain farmers. On the whole the mixed farmers seem to have a higher machinery inventory than the purely grain farmers. We suggest this is because their increased diversity demands more machinery.

TABLE XII

RELATIONSHIP OF MACHINERY INVENTORY VALUE TO TYPE OF FARMING

Number of farmers		Under \$5,000	\$5,-\$10,000	\$10,-\$20,000	\$20,-\$30,000	Over \$30,000
Grain.....	169	21.89%	30.18%	34.91%	8.88%	4.14%
Livestock..	1	—	100.00	—	—	—
Mixed.....	696	17.96	33.48	37.93	9.05	1.58

Renters Carry Smaller Inventory

More sample farmers who own all of their land or who rent all of their land report inventories valued under \$10,000 than do farmers who operate farms with part of their land owned and part rented. More of the owner-renters have higher valued inventories than have farmers who own all their land. Farmers who rent all of their land trail behind both groups in recording the higher valued inventories. Farmers who operate on an owner-renter basis appear to have a bigger or better line of equipment. They have, of course, the bigger farms.

TABLE XIII

RELATIONSHIP OF MACHINERY INVENTORY VALUE TO LAND TENANCY

Number of farmers	Under \$5,000	\$5,-\$10,000	\$10,-\$20,000	\$20,-\$30,000	Over \$30,000
All owned.....	340 18.53%	37.35%	32.35%	9.71%	2.06%
All rented.....	57 28.07	35.09	31.58	5.26	—
Owned-rented.....	466 17.17	29.83	41.20	9.23	2.57

Two-thirds of the farmer sample consider their present inventory of machinery suitable¹⁴. Nearly 60 per cent have enough machinery, 40 per cent have too little and fewer than one per cent have too much. There was little difference in these attitudes between smaller and bigger farmers.

Grain Farmers Better Satisfied

More grain farmers than mixed farmers have enough machinery and more of the mixed farmers have too little. The greater dissatisfaction among the mixed farmers is partly because they require additional machinery to harvest and prepare crops for livestock feed.

TABLE XIV

ATTITUDE OF GRAIN, LIVESTOCK AND MIXED FARMERS ABOUT SUFFICIENCY OF EQUIPMENT

Number of farmers	Enough machinery	Too little machinery	Too much machinery
Grain.....	166 72.29%	26.51%	1.20%
Livestock.....	0 —	—	—
Mixed.....	709 56.28	43.58	0.14

Sample farmers who rent all of their land appear the least satisfied with their present machinery inventory. Those who own all their land are the most satisfied. The rent-paying factor by itself appears to have a considerable influence on ability to acquire sufficient machinery.

TABLE XV

ATTITUDE OF FARMERS WHO OWN, RENT OR OPERATE OWNER-RENTER FARMS ABOUT SUFFICIENCY OF EQUIPMENT

Number of farmers	Enough equipment	Too little equipment	Too much equipment
Owned.....	338 61.84%	37.26%	0.90%
Rented.....	52 46.15	53.85	—
Owner-renter...	477 58.70	40.88	0.42

¹⁴ See survey report, question 15.

Conclusions: Considerations in this chapter demonstrate that other factors as well as price affect the farmer's attitude toward and ability to purchase farm machinery. Farm size is an important other factor, the extent of diversification of the farming operation is another factor. Whether a farmer is in the process of extending his land size by purchase or renting additional land also affects his apparent ability to purchase farm machinery.

Chapter 3: Machinery Purchases 1958-60

Farmers responded generously to a variety of questions about how they buy machinery and in particular how much money they have spent on new and second-hand machinery in the last three years.

On an average three-quarters of the sample group ordinarily buy some new and some second-hand machinery, about 18 per cent of them buy all of their machinery new and seven per cent buy no new machinery¹.

The smaller the farmer the more second-hand machinery he purchases or alternatively the less his ability to buy any new machinery. A good fifth of the farmers on one and two quarters do not buy any new machinery.

More grain farmers than mixed farmers buy all their machinery new although the grain farmers do not, on the average, have or require as much machinery as do the mixed farmers.

TABLE XVI

RELATIONSHIP OF FARMING TYPE TO NEW AND SECOND-HAND MACHINERY PURCHASES

Number of farmers		All new	Some new	None new
Grain.....	166	26.51%	67.47%	6.02%
Livestock.....	1	—	100.00	—
Mixed.....	711	15.61	77.07	7.32

Farmers who rent all of their land or operate on an owner-renter basis buy more second-hand machinery than do farmers who own all of their land. The fact that each pays rent may be the factor reducing ability to buy new machinery.

TABLE XVII

RELATIONSHIP OF FARM TENANCY TO NEW AND SECOND-HAND MACHINERY PURCHASES

Number of farmers	All new machinery	Some new machinery	No new machinery
Owned..... 334	25.15%	68.26%	6.59%
Rented..... 61	6.56	80.33	13.11
Owner-renter... 471	13.80	80.47	5.73

Machinery Purchases on the Increase

While fewer than one-fifth of the sample farmers generally buy only new machines, in the last three-year period 70 per cent of the 887 farmers bought some new machinery and 63 per cent bought some second-hand machinery².

¹ See survey report, question 18.

² See survey report, questions 19 and 20.

The percentage of sample farmers who bought either new or second-hand machinery in the last three years increased for each of the three years with the increase greater for second-hand purchases.

TABLE XVIII
NEW AND SECOND-HAND MACHINERY PURCHASES COMPARED, 1958-60

Total number of farmers	Bought new machinery		Bought second-hand machinery		
	No. of farmers	% of total	No. of farmers	% of total	
1958.....	887	371	41.83	272	30.67
1959.....	887	406	45.77	305	34.39
1960.....	887	462	52.09	406	45.77

Quarter of Farmers Pay Cash

More than a quarter of the sample farmers buy all their machinery for cash³. Of those who need credit, half use Farm Improvement loans⁴. They acquire credit on the following basis: 15.95 per cent use the credit union, 60.74 per cent use the banks, 6.4 per cent use finance companies, 1.65 per cent use family sources and 5.21 per cent use "other" credit sources.

Smaller and larger farmers are represented about equally among those who pay cash and there is little difference on the basis of farm size in the choice of credit facilities. The smallest farmers use banks more than any other credit source and none of the one-quarter section farmers use finance companies. Smaller and bigger farmers use Farm Improvement loans about equally. The fact that there is no discernible difference between the use of Farm Improvement loans by smaller and larger farmers suggests that lending institutions may not provide for the "ordinary" farmer, the advantage in acquiring government-guaranteed loans which was apparently intended when the Farm Improvement Loan Act was enacted in 1944.

More Buy New Than Second-hand

In the 1958-60 period 628 farmers bought some new machinery and 560 bought some second-hand machinery⁵. For each year considered individually, the numbers increased for each category of purchase with the greatest increase occurring in the numbers purchasing second-hand machinery.

³ See survey report, question 21.

⁴ See survey report, question 22.

⁵ See survey report, questions 19 and 20.

TABLE XIX

DOLLAR VALUE OF MACHINERY PURCHASES COMPARED 1958-60

<i>New Machinery purchases 1958-60</i>				
Percentage of total farmers who bought new machines				
Total replies	Under \$500	\$500-\$2,000	\$2,000-\$5,000	Over \$5,000
887.....1958	9.36	18.38	8.34	5.75
887.....1959	10.48	18.60	8.23	8.46
887.....1960	8.46	24.35	8.12	11.16
<i>Second-hand Machinery purchases 1958-60</i>				
Percentage of total farmers who bought second-hand machines				
Total replies	Under \$500	\$500-\$2,000	\$2,000-\$5,000	Over \$5,000
887.....1958	14.09	12.97	3.38	.23
887.....1959	16.12	14.09	3.72	.45
887.....1960	19.39	19.50	5.64	1.24

The bigger farmers appear more able to increase new machinery purchases between 1958 and 1960. The bigger farmers bought less new machinery at the lower dollar value and more at the higher value.

Smaller Farmers Increase Second-hand Purchases

The smaller sample farmers bought more second-hand machinery in 1960 than they did in the earlier two years. The bigger farmers also bought more second-hand machinery but the percentage increase in their purchase is lower than for the smaller farmers.

In each of the four purchase value groupings there was a steady increase from 1958 to 1959 to 1960 in the number of farmers purchasing second-hand machinery which was not so for the new purchases. Slightly fewer sample farmers bought new machinery valued between \$2,000 and \$5,000 in 1960 than in 1958. This may be because of the increase in prices of new machinery. Another factor may also be the declining ability of farmers as a whole to make new machinery purchases regardless of the price increase for any particular machine or implement.

Conclusions: Three-quarters of the sample farmers normally buy more of their machinery second-hand. Grain farmers tend to buy more new machinery than do the mixed farmers and farmers paying some rent for their land buy less new and more second-hand machinery than do farmers who own all of their land. During the 1958-60 period 70 per cent of the sample bought some new machinery and 63 per cent bought some second-hand machinery with purchases for both new and second-hand machinery increasing in each of the three years. More of the bigger farmers bought new machinery and increased their purchases each year by more than did smaller farmers, relating farm size directly to new machinery purchases. One quarter of the sample farmers buy machinery for cash and of those who need credit half get Farm Improvement loans. Banks supply credit for 60 per cent of the farmers.

Chapter 4: Custom Hiring and Sharing

Custom Work on the Decline

About half of the sample group engage in custom hiring¹. A field survey for the Saskatchewan Royal Commission on Agriculture and Rural Life in 1953 showed that about 60 per cent engaged then in custom hiring. There is a strong indication there has been a real change in custom hiring in the intervening years. Only 42 per cent of the random selection of farmers engage in custom work.

TABLE XX
CUSTOM HIRING 1953 AND 1960 COMPARED

	1953 Commission Study	1960 Wheat Pool questionnaire	1960 Random selection
Total farmers.....	236	828	38
Hire custom work.....	40%	16.1%	10.5%
Do custom work.....	20	17.6	10.5
Both hire and do.....	—	16.3	21.1
Neither.....	40	50.0	57.9

The 1953 study determined that about two-thirds of those engaging custom work did so for harvesting only. The 1960 study did not consider the kind of custom work.

More of the smaller farmers hire custom work than do the bigger farmers, and on the average more of the bigger farmers neither custom hire nor rent.

TABLE XXI
RELATIONSHIP OF FARMING EXPERIENCE TO CUSTOM WORK

Number of farmers		Custom for others	Hire custom work	Do both	Do neither
Under 5 yrs.....	5	20.00%	20.00%	—	60.00%
5-10 yrs.....	82	17.07	12.20	18.29%	52.44
11-20 yrs.....	315	16.83	12.38	17.14	53.65
21-30 yrs.....	253	21.34	13.83	19.37	45.46
31-40 yrs.....	101	10.89	27.72	16.38	44.56
Over 40 yrs.....	58	15.52	15.52	15.51	53.45

Farmers with few than 20 years of experience tend to rent out machinery for custom work more than they hire custom work done.

¹ See survey report, question 16.

TABLE XXII
RELATIONSHIP OF EDUCATION TO CUSTOM WORK

Number of farmers	Custom for others	Hire custom work	Do both	Do neither
Public school..... 347	19.89%	17.00%	15.85%	47.26%
High school..... 399	18.55	13.78	17.29	50.38
University..... 77	11.69	10.39	18.18	59.74

The survey results suggest statistically that improvement in education appears to decrease the farmer's tendency to engage in custom work.

TABLE XXIII
RELATIONSHIP OF AGE TO CUSTOM WORK IN 1960 (WHEAT POOL SURVEY)

Number of farmers		Custom for others	Hire custom work	Do both	Do neither
20-30 yrs.....	102	18.63%	12.75%	16.66%	51.96%
31-40 yrs.....	266	19.55	13.91	21.43	45.11
41-50 yrs.....	309	15.53	13.92	15.21	55.34
51-60 yrs.....	102	20.59	20.59	16.66	42.16
Over 60 yrs.....	46	19.57	15.22	13.04	52.17

There appears to be less direct relationship between age and custom work than was indicated in a comparable study in 1953 by the Saskatchewan Royal Commission.

TABLE XXIV
RELATIONSHIP OF AGE TO CUSTOM WORK 1953 (ROYAL COMMISSION)

Farmers by age group		Custom for others	Hire custom work	Do neither
20-40 yrs.....	98	29%	39%	32%
41-55 yrs.....	72	10	40	50
Over 56 yrs.....	66	20	44	36

The commission concluded that "younger farmers do more (custom work than older farmers and slightly more older farmers have custom work done than do younger farmers."²

Two-thirds Now Share Machinery

More than 60 per cent of the sample farmers share their machinery with others.³ More of them lend their machinery to others on a share basis than borrow machinery.

² Report of Royal Commission on Agriculture and Rural Life (Queen's Printer) Regina, 1955, Vol. 2, page 25.

³ See survey report, question 17.

The bigger farmers tend to lend machinery more than they borrow, suggesting that bigger farmers have a better line of equipment than have smaller farmers. Smaller farmers borrow machinery more than they lend, suggesting their greater need for additional machinery.

TABLE XXV

RELATIONSHIP OF FARMING EXPERIENCE TO MACHINERY SHARING

No. of farmers	Lend machinery to others	Borrow machinery of others	Do both	Do neither
Under 5 yrs..... 4	—	25.00%	50.00%	25.00%
5-10 yrs..... 79	2.53%	7.59	49.37	40.51
11-20 yrs..... 316	12.02	1.27	50.95	34.76
21-30 yrs..... 247	12.15	2.02	46.96	38.87
31-40 yrs..... 121	11.57	3.31	45.45	39.67
Over 40 yrs..... 58	17.27	1.73	22.41	58.62

More than half of the farmers with more than 40 years of experience do no machinery sharing whatever. Farmers with under five years experience do the most. Of the older farmers who do share, more lend machines than borrow. Sample farmers with under five years of experience apparently have no machinery to lend and to those who share all borrow the machines from others.

TABLE XXVI

RELATIONSHIP OF EDUCATION TO MACHINERY SHARING

No. of farmers	Lend machinery to others	Borrow machinery of others	Do both	Do neither
Public School..... 342	11.11%	2.34%	46.20%	40.35%
High School..... 400	11.25	2.75	46.50	39.50
University..... 80	13.75	1.25	51.25	33.75

The survey results suggest statistically that sample farmers with the higher education standard tend to lend machinery more than they borrow and that on the average the higher the education the more likely they are to share machinery.

TABLE XXVII

RELATIONSHIP OF AGE TO MACHINERY SHARING

No. of farmers	Lend machinery to others	Borrow machinery of others	Do both	Do neither
20-30 yrs..... 100	9.00%	4.00%	53.00%	34.00%
31-40 yrs..... 268	12.69	3.35	51.87	32.09
41-50 yrs..... 311	10.29	0.97	45.67	43.07
51-60 yrs..... 106	14.15	2.83	44.34	38.68
Over 60 yrs..... 46	13.04	2.18	26.09	58.69

On the whole the younger farmers share more machinery than the older farmers. The very young tend to borrow machinery more than they lend.

Conclusions: Farmers appear to custom hire and rent machinery less now than they did a few years ago. More than 60 per cent of them share machinery with neighbors. Smaller farmers and those with less farming experience tend to hire more machinery than they rent indicating that at least some of the farmers with increasing demand for more machinery are able to get some of it by hiring. These are the farmers who also borrow more machinery than they lend.

Chapter 5: Farm Workshops and Machinery Repairs on the Farm

About one-fifth of the sample farmers have had technical training in machine shop or motor mechanics¹ and a good number of these, and of all the farmers in the sample, have a variety of machine shop tools which enable them to carry out fairly extensive machinery repairs on the farm².

There is little difference between the percentage of large and small farmers who have taken formal training in motor mechanics or machine shop.

Bigger Farmers Have Better Workshops

However, there is a marked difference between small and big farmers who have equipped themselves with welding equipment, chain hoists and power drills. The bigger farmers have by far the best equipped workshops.

Farmers with technical machine shop or motor mechanics training have more welding equipment, chain hoists and power drills with which to equip themselves with a good farm workshop than do farmers without the training.

TABLE XXVIII

RELATIONSHIP OF TECHNICAL TRAINING TO FARM WORKSHOP EQUIPMENT³

No. of farmers	Welding equipment	Chain hoists	Power drills
Training..... 179	65.92%	39.11%	70.95%
Without training..... 661	42.51	32.53	58.09

Technical training has apparently had the greatest impact on the acquisition of welding equipment and power drills, both of which appear to require greater skill at operation than chain hoists although all three are vital to a satisfactory farm workshop.

Technical Training Influences Machinery Purchases

Technical training also appears to affect a farmer's attitude towards buying new or second-hand machinery. Those without training tend to buy more new equipment than do those with training and those with training tend to buy more second-hand than those without training.

¹ See survey report, question 30.

² See survey report, question 29.

³ These percentages do not add to 100 because all farmers do not have all three selected workshop tools.

TABLE XXIX

TECHNICAL TRAINING RELATED TO MACHINERY PURCHASES

No. of farmers	All new machinery	Some new machinery	No. new mach.
Training..... 173	12.72%	78.61%	8.67%
Without training..... 664	17.47	75.90	6.63

Technical machine shop training also appears to influence attitudes about whether machinery is adequate or not. Those with the training are less satisfied with their present machinery.

TABLE XXX

TECHNICAL TRAINING RELATED TO SUITABILITY OF MACHINES

No. of farmers	Machinery suitable	Machinery unsuitable
Training..... 170	65.29%	34.71%
Without training..... 529	79.77	20.23

Conclusions: Only about one-fifth of the sample farmers report technical machine shop and motor mechanics training but those who do have training report better-equipped farm workshops and buy more second-hand machinery. They are also less satisfied with their present equipment. It may be that they are better able to judge a good machine than farmers without such training.

Chapter 6: Record of Machinery Breakdowns in 1960

More than 60 per cent of the 887 sample farmers had a farm breakdown during 1960¹.

TABLE XXXI

THE NUMBER OF BREAKDOWNS PER SAMPLE FARMER DURING 1960

Total farmers	Farmers with breakdowns	Percentage of total farmers held up by breakdowns				
		One	Two	Three	4-10	Over 10
887	554	19.95	13.53	8.91	16.91	3.16

One-fifth of the sample had only one breakdown in 1960 and a considerable number had two or three breakdowns. Nearly one-fifth report from four to 10 breakdowns. Of the total, 28 farmers report more than 10 breakdowns each.

All farmers, regardless of farm size, appear to be equally plagued by breakdowns in 1960.

¹ See survey report, question 25.

TABLE XXXII

DURATION OF DELAYS CAUSED BY BREAKDOWNS IN 1960

Total farmers	Percentage of total farmers held up for the following periods					
	1-2 days	2-7 days	8-14 days	15-30 days	31-60 days	Over 60 dys.
887	31.34	29.20	9.02	2.25	0.23	0.23

Nearly two-thirds of all farmers were held up from one to seven days by breakdowns during 1960².

Many Drive Over 50 Miles for Parts

Farmers were asked how many miles they travelled to get repair parts³. There may have been some misunderstanding about whether the question sought round-trip figures or one-way figures. It can only be assumed that farmers replying did not give round-trip distances but even if some did the distances they report are considerable.

TABLE XXXIII

DISTANCE TRAVELLED TO GET REPAIR PARTS

Farmers replying	Percentage of 775 farmers who travelled for repair parts				
	1-10 miles	11-20 miles	21-50 miles	51-100 miles	Over 100 miles
774	16.15	25.32	29.59	13.69	15.25

Nearly 30 per cent of the 774 who reported, travel more than 50 miles for parts.

Conclusions: Farm breakdowns in 1960 plagued the small and the large farmer alike. Nearly one-third of those with breakdowns were held up one or two days and another 30 per cent from two days to one week. To get repair parts 30 per cent of them said they drive 50 miles or more. Only 16 per cent were able to get repair parts within 10 miles, a normal distance from farm to country elevator in many parts of Saskatchewan.

Chapter 7: What Farmers Said About Machinery Companies and Machines

The questionnaire gave farmers several opportunities to express opinions about their machines and the companies which supply them.

Three-quarters Found Manuals Inadequate

More than a quarter of the sample farmers consider machinery company manuals adequate as they are, another 69 per cent say they need improving, and about 2.5 per cent say manuals are no good at all¹.

² See survey report, question 26.

³ See survey report, question 27.

¹ See survey report, question 31.

There is little difference between smaller and larger farmers in opinion about manuals. However, slightly more of the farmers with some technical training consider manuals no good or need improving than do farmers without the training.

TABLE XXXIV
RELATIONSHIP OF TECHNICAL TRAINING TO ATTITUDE ABOUT MANUALS

	Number of farmers	Adequate	Need improving	No good
Training.....	172	23.84%	71.51%	4.65%
Without training.....	637	29.67	67.98	2.35

Why Farmers Found Manuals Inadequate

Most of the farmers say machinery company manuals are inadequate because they give detail for casual servicing only and not for general overhaul and repair. Some blame the manuals for not having sufficient detail and for not having clear enough diagrams and cut-aways of hidden parts. Some say descriptions and adjustments are for North America generally and often do not apply to Western Canadian conditions. Many complain that instead of giving details about overhaul the manual merely says to see the local machinery agent and many claim the agent is often not as well qualified to do the repair work as the farmer himself. They report some agents have no training whatever in machine shop or motor mechanics.

The following are some detailed quotations from the questionnaires giving in the sample farmer's own words opinion about the company manuals:

A 12-quarter farmer in Wheat Pool District 11 said: "For price paid for machinery the instruction books are not adequate, not enough detail on how to remove some shafts and gears and different parts on the machinery."

A 17-quarter farmer in District 3 said: "Complete repair part manuals should be supplied with every machine. They are not now so supplied. Instruction manuals are not complete, only very elementary and do not deal sufficiently with repairing instructions. Repair instruction books similar to those supplied garages and dealers should be supplied to every farmer with the purchase of each machine, especially with tractors, combines, balers, etc."

An 8-quarter farmer in District 4 said: "Most manuals tell you only how to run the equipment. If anything goes wrong they tell you to go see your dealer who, in many cases, knows less about the machine than you do. Some of the older manuals were much better."

A 5-quarter farmer in District 10 said: "Manuals have a tendency to emphasize conditions in crops in the United States which do not apply to Canada. This space could be used to give greater details of Canadian conditions; repair procedure should be in line with tools usually found on farms or in small town shops."

A 5-quarter farmer in District 16 said: "Machinery companies figure we have dealers who will do our major repairs promptly but such is often not the case. More repairs are done at home here and often have

to be done without any guide whatsoever, as company manuals are very basic and contain no guide for major repairs. Regular dealers are often out in the country delivering fuel when wanted for repairing."

A 3-quarter farmer in District 1 said: "All hidden parts should be well pictured. Difficult parts to get off should be explained. It would save a lot of time and worry."

On the other hand, some sample farmers consider manuals adequate.

An 8-quarter farmer in District 11 said: "Manuals are usually adequate. Be sure you have the right manual."

A 4-quarter farmer in District 1 said: "Yes, I think manuals are adequate but most farmers do not study them thoroughly."

In District 16, a 6-quarter farmer said: "Most manuals are adequate but farmers aren't because they do not read them."

Why Farmers Found Some Machinery Unsuitable

Some sample farmers consider their machinery not suitable because they say it is too light and will not stand up well under their farming conditions. Some say the machines are too hard to adjust. One sample farmer says there are many costly trades today because the farmer cannot overhaul a motor himself or he doesn't trust the local repair man to do a satisfactory job of rebuilding the unit. That same man says few modern tractors are built with a view to having them overhauled on the farms.

A 11-quarter farmer in Wheat Pool District 10 said: "I have a fairly good and complete line of machinery complete with multiple hook-ups, etc. for a large farm operation. However, each year seems to require different tillage methods depending on moisture conditions mainly. No one farmer can afford to own every machine necessary since some machines may be needed one year and then not again used for years. Co-operative or partnership ownership is also not too successful since all parties usually require the same machine at the same time."

A 6-quarter farmer in District 5 said: "A farmer who has had some mechanical training and possesses even a few good tools on the farm is in an enviable position. Many costly trades are made today either because the farmer cannot overhaul the motor himself or he doesn't trust the local repair man to do a satisfactory job of rebuilding the unit. Very few modern tractors are built with a view of having them overhauled on the farm. Specialized equipment and training is needed here."

Some of the farmers identified specific machines in relating their complaint about equipment.

Comment on Farm Breakdowns

The questionnaire asked farmers who had more than one breakdown in 1960 to give details. Some of them did.

A 5-quarter farmer in District 13 said: "Here is one example. I needed a new armature and brushes for a motor for a hydraulic lift on a combine. They were not available in town or city. I made many telephone calls to nearby towns. One agent said he had the required motor complete. I went 24 miles to get it and it wasn't the right one. At the end of three days I found a service man who ground down the armature so it would work. I still haven't found a new armature."

A 5-quarter farmer in District 12 said: "This tractor I have is a good example of what I find is wrong with most machines today. I have had serious breakdowns with it. Each time the company says 'yes, after we made the tractor we found this or that piece did not stand up satisfac-

torily so they made something different'. Meanwhile I am having much loss of time and money while they are learning how to make a tractor."

An 11-quarter farmer in District 11 gave a different kind of answer to this question. He said: "If a farmer puts a machine into a field without overhauling it first, he naturally will have more breakdowns and delays. If there is enough time spent in overhauling it first, it may be possible to run a complete season without any delay. Actually, this year I was not held up at all due to parts not being available."

General Comments About Machinery Companies

There was a generous response to two omnibus questions. One asked "What suggestions can you make to improve the farm machinery situation, either for new machinery sales and distribution or availability of parts and repairs?" The other asked "Do you have any comment to make on price of new equipment or repair parts?" Nearly every farmer had something to say to one or other of these questions.

We have segregated the replies and selected some of them to report here. They are recorded under six categories:

- (a) Comments of a general nature or omnibus remarks which take in many factors;
- (b) Suggestions for greater co-operation among farmers or concerning Canadian Co-operative Implements Limited;
- (c) Criticism of machinery companies and suggestions for them;
- (d) Comments mainly about repair parts and facilities;
- (e) Proposals concerning machinery testing and research; and
- (f) Comments mainly about price.

More sample farmers complain about price than any other single factor.² The second most common complaint is about the availability of repair parts. A good number of farmers complain about the lack of standardization of machinery parts and several others say there are too many model changes. Farmers in all 16 Wheat Pool districts mention these four principal complaints. Other main complaints are that machinery dealers do not give adequate service, that there is not enough testing of new machinery and that warranties and guarantees are not adequate.

But the comments are not all critical of machinery companies. Many farmers advance proposals which may not affect companies themselves but which may improve the farmer's ability to acquire additional machinery more easily.

I understand that you do not wish me to read the comments from the farmers themselves. That being the case, I now go on to page 43.

A 6-quarter farmer in District 2 said: "I think the machine companies are not such villains as most other manufacturers. They do not, in general, hide behind tariff walls. The Wheat Pool or the Dominion government or anybody else could carry on investigations of the high price of this or that until Doomsday and not change the basic situation, which is that wheat farmers sell at low world market prices and buy in protected home markets at high prices. Throw the tariffs and all the loafers that hide behind them out the window and we will be all right."

A farmer who operates 4 quarters in District 4 said: "I believe the average farmer today buys too much new machinery, that is, they do not use them long enough before trading them on another new or larger one. We can't quarrel with the method if the farmer is well-to-do and probably in the income tax brackets, but I do believe the average or lower than average income farmer could get along with less new machinery."

² See survey report, question 32.

Another man in District 5 who operates 5 quarters suggested that the west should consider withdrawing from the rest of Canada. He said: I hope you don't think I am unreasonable but I do believe we should consider a withdrawal of Western Canada from Canada. I don't believe it practical to buy machines and supplies from Ontario at probably the highest prices in the world and sell our produce to countries after import restrictions have been made to protect Ontario and Quebec. I believe countries like Japan could supply us with more cheaper goods even fairly close copies of our present machines if they knew there was a market here. Of course, I am not informed on this and believe it should be only considered and investigated."

A 2-quarter farmer in District 8 who said he was a set-up man and service man for implement companies for four years said: "The mark-up between wholesale and retail 30 to 40 per cent is too great. Usually insufficient repair parts in stock for the latest model machines. Also repairs for 10-year-old machines are almost obsolete; in far too many instances machines are oversold as to actual performance. For example, combines and tractors. In some instances, quite numerous, warranty policies are not fulfilled as freely as advertised during sales campaigns."

(A) General, Omnibus Observations

Here are some sample quotations from questionnaires giving some general comments of an overall nature.

A 6-quarter farmer in District 15 said: "The local dealer should order new machinery direct from the factory; dealers should be equipped with tools and machines and be qualified to service any machine he sells. Dealers should stock a new line of parts for a specified length of time for any machine he sells. Comparison tests of machines by the agricultural machinery administration should be made available to all farmers. The Agricultural Machinery Act even as it is should be rigidly enforced."

A 10-quarter farmer in District 13 said: "Some repairs come in kits containing parts that don't wear out, thus causing the price to be higher than necessary. Some wholesale machine companies only allow dealers a certain amount of orders a day, usually two, thus, if the dealer doesn't stock every part, a customer may have to wait over for a repair; it is certain machine and repair prices are too high. I don't know the answer. However, a financial backing of Co-operative machinery would be one way. This would hold the price line very well on the few machines they manufacture. They should be manufacturing a full line."

A 5-quarter farmer in District 9 said: "Machinery and repairs are too high in price to buy. If the price on farm products would have gone up in proportion, especially grain, then the price on machinery wouldn't be too high. Better fenders on tractors for safety and dust, power brakes on tractors are too dangerous for high speed travel but good for field work only; parts and repairs on foreign cars, trucks and machinery take too long to get; metal parts such as body and combines, trucks, cars, are too thin. The vibration cracks the metal very easily. Spot welds on metal parts as bodies, radiators, guards, shields, too poor. Road gear on any make of tractor should not be more than 12-15 miles an hour. Anything faster is too dangerous."

A 5-quarter farmer in District 6 said: "Consumers should have more protection against 'lemons'; less rapid change of models of machinery would help parts problems; price of machinery out of line with

price of farm products, repairs too high also; high price of equipment should warrant a rigid, lengthy guarantee of service and performance to compensate consumer for initial cost."

A 3-quarter farmer in District 6 said: "This questionnaire is a brilliant idea because it takes in the opinions of a cross-section of farmers holding offices in farm organizations, knowing of the high cost-price squeeze and many recognize that it is also the high price of farm equipment which is a factor."

(B) Suggestions for Greater Co-operation Among Farmers

Typical of the comment among the farmers about purchasing of farm machinery through the co-operative is this from an 8-quarter farmer in District 14.

He said: "If farmers would buy their machinery from their own organization, the Canadian Co-op Implements Limited, we could have better repair service, eliminate costly distribution and duplication of machines. In a few years all machine companies would be willing and anxious to deal with C.C.I.L."

Another farmer says there should be more co-operation and partnership among the farmers in the ownership of machinery.

The 3-quarter farmer in District 5 said: "I should let you know that my brother and the two close friends have gone into partnership with me on a baler, a weed sprayer, a rock picker and post-hole digger. There are more machines that farmers don't use very often and they could own in partnership and enjoy the comforts of modern machinery that they could not possibly buy if they had to pay the shot themselves. We split everything four ways and don't have any trouble."

Another farmer considers co-operatives should manufacture machinery in Western Canada.

The 7-quarter farmer in District 10 said: "Why isn't there a machine company manufacturing machinery and parts in Western Canada? There will be plenty of electricity, there is lots of iron ore in northern Saskatchewan. Why hasn't it been developed? Why don't the Pools, the Co-ops, etc. start developing so that when the dam is completed and power is available, they could manufacture their own machinery."

A 2-quarter farmer in District 15 said: "Many times are the machine companies always degrading anything the farmer owns, such as C.C.I.L. and Co-op products. For example, I purchased two Co-op tires. I was almost afraid to go to the local garage for air. The shining Co-op sign on the tire burnt a hole in the local dealer's pocket. It takes guts to buy Co-op products and live with the local town folk."

A 2-quarter farmer in District 14 said: "Farmers should use the facilities of C.C.I.L. at least 10 times more than they do. This would enable C.C.I.L. to give nearly complete service and allow for standardization of parts and machines at lower costs. The responsibility for the farm machinery situation rests partly with the farmers themselves. We do have C.C.I.L. but as a group we use it only partly."

A farmer who operates 9-quarter sections in District 1 said: "I think if there was more co-op work done by farmers to get the full benefit out of any machinery purchased that would lower his operating cost and be sharing his investment with others. I would like to see more farmers buying Co-op implements."

(C) *Specific Criticisms of Machinery Company Practices*

Sample farmers believe machinery companies change models too often. They recommend standardization of parts, not only among companies but within one company between one machine and another. They say many new machines are too complicated and fancy and that this feature coupled with rapid and frequent model changes requires the dealer to carry a large repair stock inventory. They criticize the companies for keeping regular hours during the busy season and say machinery agencies and depots should remain open for longer hours, especially during the weekend.

A 3-quarter section farmer in District 14 said: "Machine companies are changing models too often which not only makes everything more expensive but it is also more difficult to keep repairs for so many models. It would be a great help to farmers if there were more standardization of parts, not only between the different companies but in their own individual set-ups. It would appear that machine companies deliberately make such things as bearings, sprockets and break-away couplings all of a different size or shape so that one will not fit the other. This is not necessary and often causes much delay."

One of the biggest farmers who answered the questionnaire—he operates 24-quarter sections in District 11 said: "New machines are getting too complicated and fancy with a lot of nice but unessential accessories. The cost of these accessories adds to an all-ready inflated price. This feature coupled with rapid and frequent model changes requires the dealer to carry a large and varied stock inventory. This is the reason for the complaints about dealers not stocking repairs. The price of repairs is away above the original purchase price. If a farmer bought enough parts to assemble a complete machine, it would cost nearly double the price of a new machine, factory assembled. Price increases are not in line with increases in labour and material cost."

Farmers say some machines have specific items they consider unnecessary and they advanced detailed proposals for greater standardization.

An 8-quarter section farmer in District 15 said: "Most companies come out with increasing number of new devices which are not necessary. For example, torque amplifiers, hydraulic seats, power steering on combines, cigaret lighter, etc. These are added to the cost of the tractor or other machine."

A 1-quarter section farmer in District 1 said: "Manufacturers should be standardized . . . should standardize wheels and hubs, also power take-off drives. V-pulleys, hubs and most bearings should also be made so they would inter-change with other makes of machinery."

A 2-quarter farmer in District 15 said: "Machinery repairs are too high because there is too much variety. Why 100 different carburetors, oil filters, spark plugs, bearings, gas line filters and ignition parts? These should be standardized. Machinery should also be designed to allow for repair work. A combine is now made like a house, from the bottom up. When the bottom wears out, it means complete disassembly, or near it. I would also recommend the metric standard."

Quite a few sample farmers make suggestions about machinery company agents and about how far apart agencies should be located.

A 4-quarter section farmer in District 8 said: "To improve the machinery problem I believe the company should have less implement agents instead of agents about 30 miles apart, and have these agents stock more parts. These dealers should have a man that has a knowledge

of adjusting, setting and operating of machines. Farmers should be encouraged to repair their machinery off-season by discounting prices on parts and overhaul."

Another farmer who operates 3-quarters in District 16 said: "I would suggest that retail outlets be fewer but better. I would rather go 40 miles and be reasonably sure of getting what I require."

A 5-quarter farmer in District 7 said: "Eliminate 60 per cent of the local dealers. Reduce the dealer's commission by 60 per cent. This would prevent the present, ridiculous high commission offset by high trade-ins. In most cases the manufacturer's warranty costs more in time than the service is worth. In harvest time at least, repairs should be available for more than the present five days per week."

A 6-quarter farmer in District 6 said: "Machine agencies are decreasing throughout the country simply because the companies are driving a harder bargain in their dealerships. This in turn means the farmer has many more miles to drive to get repairs. Agents have told me they have a more difficult job today selling second-hand machines that are not represented by its own agent within a reasonable distance of the purchaser's farm. These machines sell best around city or larger towns where there is an agency."

An 11-quarter farmer in District 10 says: "he would like to see a machine produced which would be so versatile that they could be converted to handle any and all tillage and seeding operations required." He "believes that such a machine could be built at a practical price, attachments could be mounted quickly and cheaply for any variation encountered in the different seasons."

A 2-quarter farmer in District 14 said: "I suggest that machine companies make the same model for five years before making a change. It is only a sales feature to change the model of a machine."

An 8-quarter farmer in District 4 said: "I think the machine companies spend far too much in advertising and changing models, more so than cars."

A 6-quarter farmer in District 3 said: "I do think machine companies make too many changes. For example, when they turn out a good tractor, they keep making and selling that tractor for 8 to 10 years. As it is, they seem to put out inferior machines and make a lot of money selling the owners of new machines new parts and modifications."

A 2-quarter farmer in District 3 suggested implement companies: "Should provide some lesser modernized equipment so that smaller producers would be able to purchase such equipment."

Another group of farmers think they are paying too much for advertising and for what they call gimmick attractions to maintain increased sales.

A 4-quarter farmer in District 1 said: "Money spent on advertising and gimmicks to make sales could be better spent in more thorough testing before the machine is put on the market. Machines should be made to wear instead of wear out. Doubtless most machines could be made to last much longer at little or no extra cost but if they lasted twice as long the companies would only sell half as many."

A 9-quarter section farmer in District 10 said: "I think that the solution to the problem would be for the machinery companies to abandon such expensive fields as torque amplifiers, automatic transmissions and too large self-propelled combines and concentrate on more serviceable, less complicated equipment at a lower price, retaining recognized improvements such as diesel engines and live hydraulics, but discarding extra sales gimmicks."

A 2-quarter farmer in District 16 said: "I believe machinery companies should concentrate their efforts on the weak spots of their present inventions. In any case it is poor workmanship. For instance, wells break almost before they get to work. Another thing, I think, all manufacturers should take a grease gun and give the machine a thorough going over. It would be very revealing to them to discover what miserable places companies now put grease nipples."

A 2-quarter farmer in District 13 said: "Not all so-called improvements to machinery are good. I also object to the tendency of creating a style conscious advertising. I consider most advertising of new machinery a waste of money."

(D) Views About Repair Parts and Repair Facilities

Farmers consider many agents do not keep sufficient repair parts both for current machines and for older models. They suggest that standardization of parts might help in the keeping of this great variety of parts. They also don't think some agents are able to do repairs required of them.

A 4-quarter farmer in District 2 said: "Machinery companies must have records of parts sales from previous years, so why not have enough parts at distributors so that they do not have to be back ordered to the factory in busy seasons."

An 8-quarter farmer District 3 said: "All that is needed to run an agency today is to have a parts book and a telephone. You will get your repairs in by bus or rail or truck a few days later and hold the work up for weeks."

On standardization of parts they advance some specific suggestions.

A 7-quarter farmer in District 2 said: "Machine companies should use standard bearings, shafts, chains, pulleys, sprockets, which are interchangeable and which are identifiable by a similar code number, so that a John Deere bearing could be obtained at an International garage by number."

An 8-quarter farmer in District 4 said: "I think parts could be more standardized. For instance, there is one combine that has only three different sizes of bearings. This dealer would only need three bearings in stock, whereas others would need 25 or 30. I think they change models too often."

A 4-quarter farmer in District 14 said: "I feel there should be standardization of parts such as knife sections, cultivators and shovels, and rake teeth, etc. One dealer told me the company he worked for made 16 different knife sections although he didn't keep any on hand as it was impossible to keep enough for so many different sizes."

A 9-quarter farmer in District 15 said: "Bearings from different companies should have standard numbers. Many bearings are the same size but each company has a different number so it is hard to find replacements. I could farm with one or two cows less but I couldn't farm without a welder and a complete repair shop on the farm."

A 3-quarter farmer in District 16 said: "Standardization of repair parts, especially bearings."

In a general comment on the availability of repairs, a 2-quarter farmer in District 16 said: "When we go to North Battleford which is 50 miles, nine times out of 10 they have not even got the repairs needed there but they always say they will give me a good deal on a newer model, and if we don't bite on the bait then they lead out and just try some other sucker that seems to have more money than brains and quit trying to get any repairs for any model over three years old. I

have told more than one of these screwball implement agents that can't put a wheelbarrow together right what I thought of their service but so far gained no dice."

A 6-quarter farmer in District 3 said: "When machinery gets over five years old it is harder to get parts without waiting for some time.

(E) Proposals for More Machinery Research and Testing

Sample farmers propose that machinery companies should do more research on models, that there should be more research work by universities, by the machinery administration and by independent organizations. They also suggest companies should have more field demonstrations and should hold schools during the off-season. Some suggest the use of television for demonstrations and lectures during the winter months.

A 9-quarter farmer in District 10 said: "I think that the machinery companies should hold more schools to describe their machinery, how it works and how to correct its faults. No one finds the faults quicker than the man that uses it. Many companies high pressure the sales of their machines, then the local agents do not have repairs or services to meet the needs."

A 4-quarter farmer in District 13 said: "I think that the machine companies should have more field demonstrations, hold schools for operators of machines to get the operator more acquainted with the machine."

A 6-quarter farmer in District 4 said: "With some companies and some machines it is not possible to get a demonstration before purchase, hence there is no real indication of its true capabilities."

An 8-quarter farmer in District 1 suggested bringing new machinery to the west to test other than the Regina plains. He also suggested that the companies stock parts for machinery up to 15 years old.

A 12-quarter farmer in District 12 said: "New machines should be tested by a neutral concern with reports available to the farmer upon request from the university of that province giving comparison of capacity and power required to pull same in certain soils."

A 4-quarter farmer in District 3 said: "I feel that time allowed for a farmer to reject a machine when new when bought is too short and should be extended to a long enough period that the machine can prove its worth. There is only one week or 10 days and in that time a farmer may not get a chance to use it."

An 11-quarter farmer in District 11 said: "Another phase of the farm machinery situation that could be improved on is more thorough research should be done by manufacturers in building machines suitable for different situations in different parts of the country. This would also apply to parts that wear out frequently."

(F) Comments About Prices of Machines and Parts

There is little disagreement about price. Farmers think the price of new machinery and the price of repair parts too high. They say it is too high compared with the same part in previous years, too high compared with the price on other kinds of equipment they use, and too high compared with the return from their farm produce.

A 5-quarter farmer in District 2 said: "I think today we have a very good line of new farm machinery on the market. Repairs are plentiful but the cost of this machinery and repairs today is going to break more and more of us small farmers. On my farm I find it impossible to grow enough wheat to keep a fairly new line of machinery."

A 5-quarter farmer in District 14 said: "I am tired of getting loans from the banks, etc. to replace worn out machinery to raise \$1.13 wheat and buy \$10,000 combines, \$7,000 tractors, etc. We are always paying loans and interest, instead of paying cash. We are living on depreciation of our machinery, then when we replace some of it is hard to run to the various credit companies to fill these pockets."

A 6-quarter farmer in District 10 said: "I would suggest that if machine companies would standardize a machine and keep it that way for a few years with none but minor modifications, the price could probably be reduced, or at least maintained at the present price. In other words, at the present time we are not buying machines as much as we are paying for retooling factories. I think, if the companies wanted to, they could produce the machines for less."

A 2-quarter farmer in District 16 said: "At the present time no small farmer can afford to buy a new machine on the present quota system and the price of wheat. In our district there has not been a large major implement bought in the last six years because of the high cost."

A 4-quarter farmer in District 9 said: "Prices of precision parts like ball and roller bearings are reasonable. Prices of simple parts and welded assemblies are sometimes fantastic. Mass production and automation account for part of this difference, but the difference seems too great."

A 7-quarter farmer in District 14 said: "It seems superfluous for me to say that machine prices are absolutely out of line with prices received for farm goods. For instance, in 1947 I paid the equivalent of 1,800 bushels of No. 2 wheat for a 12-foot combine. In 1952 I paid the equivalent of 3,800 bushels of No. 2 wheat for a 12-foot combine, and in 1960 the same 12-foot combine would have cost me 6,400 bushels of No. 2 wheat."

A 3-quarter farmer in District 13 said: "The price of new machinery has gone beyond the point where a farmer on three quarter sections or less can buy for himself any new large equipment. He has to buy used equipment. Repairs on old equipment are excessively high because the local dealer does not carry them. All extra telephone calls and freight charges on small orders add extra cost to already high-priced repairs. This is also beginning to apply to new machines as wholesale houses are now farther apart."

Conclusions: Sample farmers advance a variety of complaints about what is wrong with the present farm machinery operation and suggestions about how the wrongs may be corrected. They complain that company manuals are not adequate, that companies do not provide the right machines for the work farmers have to do, build the machines badly, add too many fancy attachments and make no apparent attempt to standardize components and parts. They consider machinery companies do too little testing of machines, high-pressure farmers into buying the machines and then do not stand by warranties nor provide adequate staff or parts to effect repairs. They say machine companies do not gear their work hours and facilities to the farmer's needs and spend too much time and effort on advertising and promoting. They say prices are too high and they advocate increased co-operation among farmers and greater support by farmers of existing co-operative facilities for the purchase of machinery. These observations by the farmers will be considered further in our summary of conclusions and recommendations.

Chapter 8: Summary of Conclusions and Recommendations

Saskatchewan Wheat Pool welcomes this opportunity to appear before the standing committee of the House of Commons on agriculture and colonization to submit the views of organized Saskatchewan farmers during this investigation of farm machinery prices.

This submission makes a variety of points to indicate not only that current prices of farm machinery and repair parts are too high but also that a variety of other issues contribute in one way and another to increasing the burden for the farmers who must meet these prices. One of these additional factors is the continuing pressure for farmers to enlarge their land holding and to increase their investment to improve their farming operation. Sample farmers indicate in many ways that those of them extending their farming operation are the least able to acquire additional machinery which the expanded farming operations demand. Another additional factor is the increasing diversification of the farming operation. Sample farmers indicate that those who are expanding their farming operation by diversifying have increased pressures to acquire additional machinery. More mixed farmers than grain farmers, for example, have too little equipment for their operation.

In these twin adjustments—extension of land holding and diversification of farming operation—government policies have through the years contributed considerably. Governments must be encouraged to continue their assistance during the periods of major adjustment and must remain vigilant to see that their agricultural policies continue to assist and not to hinder these adjustments. It will follow that government policies effective for these adjustments will also assist farmers to resolve at least some of their farm machinery problems.

Some farmers are attempting to resolve the problem of farm machinery price for themselves by buying second-hand machinery. It is the smaller farmers and those currently engaged in extending their operations who are less able to buy the new machinery and more dependent on second-hand purchases. But there is ample evidence in the replies to the Wheat Pool's questionnaire that facilities for second-hand machinery may not be fully adequate. The fact that most new machinery dealers are themselves in the second-hand machinery business does not mean that their facilities for providing second-hand machinery are good enough.

Of the sample of 887, no fewer than 372 farmers say dealers do not stock enough parts; another 11 say dealers should be better able to repair machinery; 83 say there are too many model changes; and 94 say dealers should provide better service. All of these farmers in one way or another are saying that farm machinery dealers as they are presently organized and equipped are not able to supply what farmers consider to be adequate second-hand machinery. The fact that more farmers in total buy second-hand trucks than buy new trucks suggests that the well-organized used motor truck distributive system might be a major factor. These observations should suggest a new course of action for the farm machinery industry.

When it comes to consideration of the current value of farm machinery inventories it becomes apparent that some farmers experience more difficulty in acquiring and maintaining adequate inventories than do some other farmers. The smaller farmers generally report smaller inventories than do the larger farmers although some of the smaller farmers have more investment in machinery than have some larger farmers. On the whole 18 per cent of the 887 sample farmers have machinery inventories valued at current prices under \$5,000; 33 per cent of them have inventories valued between \$5,000 and \$10,000; 37 per cent have inventories between \$10,000 and \$20,000;

nine per cent between \$20,000 and \$30,000 and just over two per cent have inventories of more than \$30,000. Comparing these figures with the average machinery inventory of \$9,782 reported in 1959 by the 455 members of the 42 farm management clubs operated by the Saskatchewan department of agriculture suggests that sample farmers may have higher machinery inventories than have the average of all Saskatchewan farmers. This tends to make suggestions from these farmers—on the average better equipped farmers—all the more valuable to this parliamentary committee.

Of the sample farmers, those engaged in mixed farming have the higher valued machinery inventories, supporting the contention that diversification of the farming operation increases the farmer's need for additional machinery. While it is true that diversification for some farmer improves his ability to purchase machinery because it enhances his cash income, it is also apparent that it increases his need for additional machinery.

Farmers expanding their operation by renting or purchasing additional land have smaller inventories than farmers who own all of their land with no regular annual claim on their income for land payment.

These suggest that government policies designed to aid adjustments into larger land holdings and into more diversified farming operations must be carefully planned and executed.

However, government assistance aside, there is much farmers can do collectively to help themselves to acquire the use of additional farm machinery. The survey considers in detail the influence of custom hiring and renting of machinery and of machinery sharing among neighbours. Half of the sample farmers have no part in custom hiring and renting and 40 per cent of them have no part in machinery sharing. The fact that machinery sharing and custom hiring is widespread throughout the province—all wheat pool districts report general utilization of each—suggests that the farmers not now utilizing either should consider these two facilities as available methods of extending their machinery use without increasing purchases. Farmers should also explore opportunities for the co-operative ownership of some machines among individual farm operators.

Farmers who buy machinery on credit use banks more than other credit facilities and about half of the farmers who use credit for machinery get it under the Farm Improvement Loan Act. The Act was established in 1944 to provide credit to farmers who might have difficulty establishing lines of credit without government guarantees. There have been some changes in farm improvement loan terms during the years, increasing the maximum term to 10 years and the maximum amount to \$7,500. Interest now is five per cent. However, while maximum amount and terms have been extended greatly for some farm improvements they remain somewhat less favourable for the purchase of farm machinery. Some sample farmers suggest improvements in the loan act's terms which now allow only three years for repayment of loans for new machinery, seldom more than one year for second-hand machinery, and provide credit up to 75 per cent of the purchase price of new machinery to a maximum of the \$7,500.

The fact that larger farmers tend to use farm improvement loans more than do smaller farmers—or at least no less than do smaller farmers—suggests that banks may not give sufficient consideration to the smaller farmers whose financing the improvement loan was really established to guarantee. The widespread use of farm improvement loans for machinery purchases may be the main reason why only 16 per cent of the sample farmers get their machinery credit from credit unions which do not have access to farm improvement loans. On other occasions representatives of the co-operative

movement have proposed extension of farm improvement loan facilities to credit unions and Saskatchewan wheat pool suggests again that this should be considered by this standing committee.

There is little doubt that better farm workshops and training for farmers in motor mechanics and machine shop techniques contribute to farmers' ability to maintain their farm machinery and equipment, to buy more second-hand equipment and to reduce delays in the farming operation because of sudden breakdowns. Farmers among the sample who have some technical training indicate they have better farm workshops than those who have no training and that they buy more second-hand machinery. Farmers with technical training are also slightly less satisfied with the machinery they do have which suggests they may be better able to tell when a machine is suitable or not. Some farmers suggest that machinery companies should conduct more courses for farmers in the repair and use of their own line of equipment. One farmer suggests the use of television in the winter months to help educate farmers in workshop techniques. Governments should also consider extending programs now available to help farmers take this kind of training in the winter months.

The sample farmers are highly critical of some machinery company practices. They claim that agents do not provide adequate service, that company depots are not open at the hours of greatest convenience to farmers, that dealers are not able to help or advise on machinery repairs and that guarantees and warranties are sometimes not all they might be. These suggest that companies should consider amending their ways. In most instances it is not legislation which prohibits them from keeping agencies and repair depots open in the evenings and on weekends during busy farming seasons but rather their own internal labor force arrangements and the companies themselves could effect changes in their practices. If the claim that agents are not qualified to complete repairs is valid, machinery companies should consider reassessing the kind of men they employ as agents. Consolidation of their agencies into fewer locations could help them to improve the quality of employees. Consolidation would certainly contribute to the machinery company's ability to maintain a better line of repair parts.

On the consolidation of machinery company facilities, it is pertinent to recall from the survey that more than 30 per cent of the sample farmers now drive more than 50 miles for their repair parts. Few sample farmers complain about the distance they drive but many complain about the availability of parts and the quality of service once they reach the agency offices. The 1960 annual report of the director of Saskatchewan's agricultural machinery administration, which among other functions administers the licensing in the province of farm machinery vendors, reports little change in the last decade in the number of licensed vendors although the number of farmers has declined from 125,000 to an estimated 97,000. This suggests there now are more vendors per farmer than there used to be rather than fewer. The farmers say fewer would provide better service and facilities.

Farmers are highly critical of manuals now supplied by machinery companies with new equipment. If their criticism is valid it warrants serious consideration by both machinery companies and government regulatory bodies. More than 70 per cent of the sample farmers consider manuals inadequate and of these some say they are no good at all. The fact that farmers with technical training in workshop techniques are more critical than those without suggests there is considerable merit to the criticism. If machinery companies do not assure suggested improvement in their manuals this committee should consider advising government to direct and require this kind of improvement.

The subject of standardization of farm machinery parts is not a new one to the members of this committee nor in fact to anyone concerned with agricultural matters in Canada. Observations made by some of the sample farmers suggest the situation demands immediate action. This committee should be able to acquire direct information from the machinery companies on what plans they have underway for greater standardization of equipment parts. It is plainly evident that the lack of standardization of even the most simple parts contributes directly to the farmers' problem of acquiring adequate repairs, to the machinery companies' supplying of those parts and to the continuing high cost of maintaining an adequate line of farm machinery.

Two-thirds of the sample farmers consider their machinery suitable. The remaining, who apparently consider machinery inadequate in one way or another, give a variety of reasons. Some complain about quality and workmanship in machinery construction. Some consider machines unadaptable to their land formation because the machines appear to be designed for the international market with widely differing farming conditions. Farmers urge increased testing facilities and more research into fundamental design changes. Some ask for longer periods in which to try new machines on their own land before purchase agreements are completed. Saskatchewan wheat pool would commend these farmer suggestions to consideration by members of this committee, by representatives of the machinery manufacturing industry and by government bodies now concerned with research and machinery testing.

Following a similar farm machinery investigation some years ago the farmer's co-op machinery company, Canadian Co-operative Implement Limited, was formed and now is in operation across the West. Some 34 sample farmers suggest at least some of their present problems could be resolved through increased support of C.C.I.L. One of the most direct suggestions for increased support for C.C.I.L. is advanced by a sample farmer operating eight quarter sections in wheat pool district 14. He said:

If farmers would buy their machinery from their own organization, the Canadian Co-operative Implements Limited, we could have better repair service, eliminate costly distribution and duplication of machines. In a few years all machine companies would be willing and anxious to deal with C.C.I.L.

Saskatchewan wheat pool realizes that merely to state this does not by itself increase farmer support for their co-operative machinery company. Farmers as consumers are much like any other kind of consumers, they prefer to have the widest possible choice and they want the opportunity to make their own selection voluntarily. But Saskatchewan wheat pool can say from its own experience that the surest way to encourage farmers to increase support for C.C.I.L. is for machinery companies to continue without effective change the practices outlined and criticized in this submission. C.C.I.L. has proven that it can market suitable and adequate farm machinery at prices below the average of the private and corporate machinery companies and it has also shown that it has facilities to claim a larger share of the market from one year to the next.

Saskatchewan wheat pool urges its own farmer members and all other prairie farmers to consider facilities and machinery offered by C.C.I.L. before making any machinery purchase. By increasing support for C.C.I.L. farmers can improve their real position and they can encourage the other machinery companies to amend their policies and practices criticized in this submission.

The terms of reference establishing this particular investigation appear to limit the scope of the enquiry to price. The actual wording of the parliamentary

motion is that: "the standing committee on agriculture and colonization be empowered to enquire into the prices of farm machinery and to report to the house thereon."

Saskatchewan wheat pool submits that investigation of price alone is not enough and has introduced a variety of issues which along with price contribute to the farmers' real cost of acquiring and maintaining adequate farm machinery. Some of our observations indicate the direction of changes machinery companies should take, some suggest changes in government action and some urge farmers by themselves to increase cooperative activity to resolve some of the issues.

Summary of recommendations

In conclusion, Saskatchewan wheat pool submits that direct and indirect action along the following lines will contribute to the resolution of the farmer's problem of acquiring and maintaining adequate farm machinery at prices and real costs he can support, and recommends:

1. That machinery companies move to reduce the price of farm machinery and repair parts by reducing the number of models, standardizing model components and repair parts, eliminating unproductive machinery features, consolidating their machinery agencies and repair depots, improving the quality of service offered and improving facilities and staff;
2. That machinery companies improve their facilities and staff to offer more properly repaired and adequately renovated second-hand machinery;
3. That machinery companies improve machinery manuals and offer farmers improved technical training in farm workshop techniques;
4. That machinery companies take whatever action they require to provide evening and weekend services for farmers, especially during busy farming seasons;
5. That the federal government review legislation and practices affecting the operation of farm improvement loans to assure their fullest use by ordinary farmers, that it have amended the Farm Improvement Loan Act's terms to improve loans for the purchase of new and second-hand farm machinery and that it extend the Farm Improvement Loan Act's facilities to credit unions on terms similar to those now provided for the chartered banks;
6. That both the federal and provincial governments have reviewed legislation under which farmers now are provided courses of training in the operation of farm workshop tools and equipment to ensure maintaining and improving the quality of training available and financial assistance for farmers willing and able to undertake the training;
7. That governments, organized farmers and individual farmers themselves consider methods of encouraging custom hiring and renting, the sharing and the co-operative ownership of farm machinery in areas and under conditions where each is feasible and desirable; and
8. That farmers by themselves support to a greater extent the operation of Canadian Co-operative Implements Limited, the farmer's own machinery manufacturing and distribution co-operative.

All of which is respectfully submitted,

Saskatchewan Wheat Pool.

The CHAIRMAN: Thank you very much, Mr. Gibbings.

Gentlemen, we now will commence with the questioning of our witnesses. Have you a question, Mr. Rapp?

Mr. RAPP: Mr. Chairman, first of all, I would like to congratulate Mr. Gibbings for bringing in such an enlightening brief.

I must say that this brief is one of the best that we have received, and I think, to a certain extent, that it must be attributed to our new wheat pool president in Saskatchewan, Mr. Charles Gibbings.

Charlie, or should I say Mr. Gibbings, is a Saskatchewan product and, during the course of his life, has farmed. He grew up with the Saskatchewan wheat pool and, if I understand correctly, he farmed at one time in the Rose-town district.

Mr. GIBBINGS: And, I still do.

Mr. RAPP: The Rosetown district is a very good one, but I do not think it is quite as good as Melfort-Tisdale.

Mr. HORNER (*Acadia*): How about Humboldt?

Mr. RAPP: Well, that, as well.

Mr. Chairman, I fully concur with the eight recommendations which the Saskatchewan wheat pool brought in, and I think that it would serve well if the committee concentrated on these recommendations. If we do this, I think we will be able to fulfil what is expected of us.

Mr. Chairman, this is all I have to say at the present time. I notice that there are only a few minutes remaining before the house sits.

Mr. GUNDLOCK: Mr. Chairman, it was mentioned here that the terms of reference were not broad enough, so I would like to take the liberty of stepping beyond them for a moment.

I would like to ask a question in regard to storage because, after all, there is a difference between costs and prices received, particularly related to the amount of storage received by country elevators. To me, that is rather an outstanding cost to grain farmers and producers. As I recall, from an annual report of the wheat board itself—I think the figures are correct, and can be borne out by the annual report of 1958-59—the storage paid to country elevators—and they, themselves, store approximately three-quarters of the crop each year—amount to 11.9 per cent. To me, that seems to be quite a high percentage, insomuch as the wheat board itself pays for the wheat by borrowing the money, and pays the interest. The wheat board agrees that the country elevators receive 11.9 per cent for each year. That is not on a bushel, but on a dollar basis, for storing that wheat, and I simply would say that that is quite a percentage on an investment which, actually, you did not make. I would like some comment on that, particularly since the wheat pool itself suggested that the terms of reference were not broad enough.

Mr. GIBBINGS: Mr. Chairman, I should indicate, first of all, that the comments that are made in here are comments that were suggested by farmers themselves, as a result of the questionnaire that was submitted to them.

With reference to the cost of grain storage, it is very high. It works out to 1/30th of a cent per bushel per month, which is 12 cents per year per bushel.

Mr. GUNDLOCK: Then, you think that the wheat board's annual statement is not correct?

Mr. GIBBINGS: No; what I am saying is that you are likely quoting carrying charges and not storage charges.

Mr. GUNDLOCK: I am quoting storage charges in country elevators in each annual report, and I might state, also, that I am a pool member, a C.C.I.L. member, as well as a farmer.

The CHAIRMAN: Perhaps, Mr. Gundlock, we should delay these questions until the wheat board and the board of grain commissioners come before us. I think we are getting into another field, which probably is not too relevant to our inquiry at this time.

Mr. GIBBINGS: If I might add this, Mr. Chairman, it is the farmer's choice as to whether he stores the grain on the farm or in commercial elevators, and the farmers that belong to our organization feel that since they have returned to them whatever additional cost there is over and above the actual cost, that it is probably cheaper for them to join together and provide these facilities at the track, than to provide additional facilities on their own farms.

Mr. MANDZIUK: Mr. Chairman, I like the suggestion made by Mr. Rapp that we concentrate on the summary of recommendations.

I might say that recommendation No. 2 interests me very much. Have you, sir, any suggestions which could be embodied in our report to encourage companies to improve their facilities and staffs in order to offer more properly repaired and adequately renovated second-hand machinery? We know perfectly well the practice of the companies. Company policy is to sell new machinery. We have had dealers here who were left out in the cold in so far as second-hand machinery is concerned. The companies do not care at all about servicing this second-hand machinery, and putting it back into a saleable condition.

Mr. Gibbings, what remedy do you suggest, or what should the form of our recommendations be toward compelling the companies to do just that? I think it is a very important point.

Mr. GIBBINGS: I think, sir, in order to do this, that the size of the farm machinery dealership has to be sufficiently large that it can economically provide this type of service.

Mr. MANDZIUK: Does the C.C.I.L. provide that type of service?

Mr. GIBBINGS: The C.C.I.L., as such, to my knowledge does not, in total. The C.C.I.L. have a number of local co-operative associations, for instance, which act as their agents and are, by and large, not equipped to do this sort of thing. The C.C.I.L. depot does take the machinery in, and probably has other dealers which do some repair on it, but not in total. My own experience has been that when you live adjacent to a progressive town, where there are progressive agents, the type of second-hand equipment that you get is very much higher in quality than if you are adjacent to a small dealer. Now, I know that there are some objections to the proposal.

Mr. HORNER (*Acadia*): Are you suggesting that in some areas there is not enough competition to improve the dealerships?

Mr. GIBBINGS: I am suggesting that some dealers do not have a sufficient area to service that will allow them to do this.

Mr. MANDZIUK: They certainly do not get any assistance from the companies as far as that particular branch goes. I think your suggestion is a good one. But how can a manufacturer be compelled to give that service without hoisting up the price?

Mr. GIBBINGS: I think it will be the responsibility of the dealer. I can quite understand the attitude of machinery companies, and I quite understand their attitude on this, because the longer that second-hand machinery operates, the fewer the newer machines they are going to sell. You are speaking from the point of view of the interests of the farmer, rather than from the point of view of the interests of the machinery companies.

The CHAIRMAN: Gentlemen, we shall now adjourn to meet in this same room at 2:30 this afternoon.

AFTERNOON SITTING

FRIDAY, May 26, 1961.

The CHAIRMAN: Gentlemen, I believe we have a quorum this afternoon.

Before we proceed, I believe Mr. Phillips has a correction to make in the brief which was presented this morning.

Mr. PHILLIPS: We found a typographical error at page 51 in volume II. In the table marked 27A at the bottom of the page, the first line should read as follows: sample 774, then under the first column 16.1 per cent, in the second column 25.3 per cent, the third column 29.6 per cent, the fourth column 13.7 per cent, and in the fifth column 15.3 per cent.

Mr. SOUTHAM: Would it be too much to ask you to read that again.

Mr. PHILLIPS: At page 51 in volume II, in table 27A in the first line the figure 24.0 should be 25.3. The next is correct. The fourth figure should be 13.7 and not 15.1. The final figure is 15.3 and not 15.2.

The CHAIRMAN: Gentlemen, we will proceed with the questioning of the witnesses.

Mr. MUIR (*Lisgar*): If we turn to page 16 the brief says:

Farm size affects the farmer's demand for size and number of implements.
and then:

Farm machinery companies must also continue to recognize these developments and be ready to supply improved machinery under arrangements the changing conditions can meet.

I think there is a little discrepancy in the brief where you tell the machine companies they must meet certain changing conditions and also tell them they are bringing out too many models and model changes. I am wondering how you make these two points in the brief sort of come together.

Mr. GIBBINGS: I think it would be possible to make the changes required in the changing production pattern without as many model changes as are now taking place. I think you have experienced in your operations, as have others, that the number of model changes is increasing all the time. I recall when the model L case, for instance, stayed the same design for eight or nine years, and then LA case for a number of years, and now it seems to custom for all of the machine companies to bring out a new model much more frequently than in the past, each of them, of course, incorporating innovations; but I think they could bring out the innovations to meet changing conditions without bringing out as many changes as they do now.

Mr. MUIR (*Lisgar*): Of course the machine companies claim they are doing this in order to meet customer demand and that their production and model changes are ruled by that situation. Do you agree that the farmers are demanding more changes in their tractors.

Mr. GIBBINGS: No. I think that many of the changes, particularly the model changes are taking place as a result of the competition between companies rather than the particular needs of the farmers.

Mr. MUIR (*Lisgar*): I am inclined to agree with that statement too, sir, but in order to sell their products they must meet competition. The company which does not meet this competition is the one which will not sell the machines. I am wondering how we can put any onus on them for this when it is necessary to sell their machines.

Mr. GIBBINGS: We understand it is competition which prompts them to do it, but from the point of view of the farmer it is our belief that by doing it it is adding additional cost to the producer.

Mr. MUIR (*Lisgar*): Is there any answer to this?

Mr. GIBBINGS: Not unless the machine companies are prepared to do it on their own. I do not know that there is any legislation which could be enacted to force them to do it.

Mr. MUIR (*Lisgar*): On page 19 you bring up the matter of new and secondhand trucks. We find that many of the smaller farmers are buying secondhand trucks. Do you not think this is a natural development, because the farmer operating the smaller farm does not make the same use of his truck as would a larger farmer. The capital investment in any case in buying a new truck is too high for the use it serves. I know my own experience is that I bought a truck for \$700. That is certainly a long way from the price of a new one. I only use it about ten days of the year. If I were to spend \$3,000 on a truck certainly the expenditure would not be justified. Would you not agree that that is probably the reason so many secondhand trucks are bought?

Mr. GIBBINGS: Certainly that is one of the contributing factors. I do not think there is any question about that. Not only with trucks, but with other machines and equipment, as far as the smaller farmer is concerned, it is a question of parts.

Mr. MUIR (*Lisgar*): I think I noticed in your brief somewhere that you say that resale trucks are in better shape than the average resale machinery?

Mr. GIBBINGS: Yes.

Mr. MUIR (*Lisgar*): You account for that by saying the automobile companies and automobile agencies are better set up in regard to repairs.

Mr. GIBBINGS: Yes, this is the contention that we have in that connection.

Mr. MUIR (*Lisgar*): My last question is on standardization. The committee has been very interested in this particular phase of the questioning. We find that a lot of the machines being made and imported from other countries are such that we in Canada do not have much control over standardization of parts. Have you any suggestions as to how the committee could prevail on the manufacturers to take a serious look at this situation?

Mr. GIBBINGS: I believe the farm machinery companies are influenced by the opinion of the people who use their equipment. For instance, we think that this presentation of ours will be as valuable to the machine companies as it will be to you, because this gives actual farmers' opinions about the type of service and standardization, and so forth. If there is sufficient demand on the part of producers for this type of standardization, I think the machine companies will be influenced by it. I recognize the problems involved when machines are made in a number of countries, and are imported here, on the question of standardization. I believe, also, that there are many things that machine companies could do, if they really wanted to, in terms of standardization, even to the extent of bearings, for instance. There are many bearings now that are interchangeable between machines and automobiles, and between trucks and machines, but each company lists them separately as a separate number. Even if they were to have the same number in each of the parts catalogues for similar parts that are interchangeable, this would be of great assistance. Then, if one dealer did not have a particular part a person could go to another dealer and get it. This sort of thing would be very helpful to the purchaser.

Mr. MUIR (*Lisgar*): I believe it would. We find also in the submissions the machine companies have given us that quite often they buy their bearings, steel bearings and so on, probably from the same company. If they were to have the same number, it would be a help.

Mr. HORNER (*Acadia*): Does not the same company put the same number on the bearing?

Mr. GIBBINGS: Yes, but the machine company lists it.

Mr. HORNER (*Acadia*): If I were a farmer and said I wanted a Timken bearing, number so and so, it might require a little research on the part of the dealer, but he could determine that this would be the same thing.

Mr. MUIR (*Lisgar*): One Canadian company said they had attempted standardization but that variations were so often needed in such things as sickles, and so on, for operating in different conditions, that their statement was standardization could only be taken so far. Do you agree?

Mr. GIBBINGS: I agree it could only be taken so far, but I think it could be taken a lot further than it has been up to this point.

Mr. HORNER (*Acadia*): My first question deals with page 2. We have had before us up to now three of the largest farm implement companies operating in Canada, without a doubt—International Harvester, Massey-Ferguson and John Deere. Page 2 deals to some extent with the size and growth of the Saskatchewan wheat pool, which is a big industry and big business in western Canada. There is no denying that. I wonder if some of the things evident in the large machine companies are also evident in this large business. My first question on this line would be this. I realize this, that there may not be a direct comparison, but the machine companies before us to date have all said that over the years they are continually trying to hire more men on a salary basis rather than by the hour. They said this is so for several reasons, because of more research, because of greater stability, and so on. Could the same thing apply to the Saskatchewan wheat pool? In the head office, for instance, or in their lakehead, or ports such as Vancouver, has there been evidence that they are trying to hire more men on a salary basis rather than on an hourly basis over the years?

Mr. GIBBINGS: There has not been any great change in this. We do hire our office and country elevator staff on a monthly basis, being paid salaries monthly, as you know. Our hourly wage earners are those operating in the summer months, which is frequently not a full-time operation. You operate it during the busy months and in the winter period when the lakes are closed you do not have the same volume, so you cut the staff down.

Mr. HORNER (*Acadia*): Some of the machine companies have said what their profits are, and have related them to capital investment and to net sales. We all know that the Saskatchewan wheat pool made \$5 million, or something like that last year in profit. What percentage would this be, related to its capital investment?

Mr. GIBBINGS: We have a total capital investment of just around \$80 million. This, however, was income before taxes. I noticed that many of the machine companies list their net earnings after taxes. This figure you are quoting is before taxes.

Mr. HORNER (*Acadia*): As I understand it, the shareholders actually pay the tax on being allotted the dividends—I am a member of the Alberta wheat pool.

Mr. GIBBINGS: That is right. The dividend is considered income in the hands of the recipient, whether he receives it in cash or credit.

Mr. HORNER (*Acadia*): So actually your profits on investment would run to somewhere in the neighbourhood of 7 per cent?

Mr. GIBBINGS: Yes, on recent operations that is correct.

Mr. HORNER (*Acadia*): With regard to page 4, you quote a piece here which is sent in by a Saskatchewan farmer and it reminds me a great deal of the quote I used in a speech in the House of Commons about two years ago.

Mr. GIBBINGS: It must have been correct, sir.

Mr. HORNER (*Acadia*): In all fairness to the machine companies one must admit that there may well have been some improvements in the combine in the years from 1947 to 1960.

Mr. GIBBINGS: That is not denied.

Mr. HORNER (*Acadia*): Then you will agree with this, that perhaps the farmer is receiving a somewhat better combine in 1960 than he was in 1947. You agree with this?

Mr. GIBBINGS: Yes.

Mr. GUNDLOCK: I was surprised the other day to hear a witness who represented a machine company say that the horsepower, on similar equipment was only a very small percentage different from what it was ten years ago. I was surprised at that, actually comparing a 1939 tractor for instance, that the difference was almost negligible. I have not had time, frankly, to go through the whole brief, but I wondered if you had any research on that?

Mr. GIBBINGS: No, we have not. This could well be the case, although I sometimes wonder if the horses are the same size today as they used to be.

Mr. GUNDLOCK: They are measured the same, anyway.

Mr. CLANCY: I would like to go back to the question of standardization, and also to the testing of machinery. We have heard about standardization. Does your organization believe that if I am running a commercial truck I should get the same tax rebate as the farmer does?

Mr. GIBBINGS: This is a policy question that I think this committee would be better able to resolve than I would.

Mr. CLANCY: I just wanted an opinion. You have also talked about dealers. I quite agree with you. The small dealers have not got the facilities which the big dealer has, and the big dealer is taking over the market. Have you any suggestions? A big dealer can introduce modifications and standardization very quickly, but the small dealer cannot do that. Therefore, you are suggesting actually that the dealerships should be broken up into geographical areas or population areas and then made rigid at that so that a dealer cannot move out. You are going to give a monopoly, and you say that monopoly will be controlled as long as service is given. But who decides that he is giving service?

Mr. GIBBINGS: I would say here again that the purchaser is going to decide that. Farmers purchase equipment frequently, not so much on the basis of comparable prices as on the basis of the service he knows the dealer will give him with that piece of equipment. If it should transpire that that agency for a given company is not providing comparable service, the purchasers are going to decide which dealers will be the successful dealers. The machine companies, who are anxious to get as large a share of the available market as possible, will—as I understand they do on occasion now—ascertain that that dealer is giving proper service or they will change the dealership.

Mr. CLANCY: In other words, do you think the dual agency is the answer?

Mr. GIBBINGS: We have a multiplicity of agencies now.

Mr. CLANCY: By dual agency I mean that you are not confined to Massey or Case. If you are big enough you can take a whole bunch of them. In other words you are freezing out every other dealer within 50 miles.

Mr. GIBBINGS: I would not make that recommendation, and did not make it. If the purchaser is to have the choice that I feel he ought to have, there must be not one dealer handling all the types of equipment, but several dealers handling the different makes.

Mr. CLANCY: It has been proven that the dual agency is most efficient, giving his customer satisfactory and guaranteed service.

Mr. GIBBINGS: If he is giving guaranteed service, that is a different factor. I am not sure you can guarantee service on that basis. If you say he can, I am prepared to accept it.

Mr. CLANCY: I cannot say it is general. I know of instances where it is done.

Mr. FORBES: Do your employees of the Saskatchewan wheat pool elevators belong to unions? If they do, is it your opinion that the fact of union membership increases the cost of your operations?

Mr. GIBBINGS: Yes, our employees are unionized. We have a great number of unions. The country elevator staff in head office and in the country formed their own association, to start with, called the Saskatchewan wheat pool employees' association. They have now become affiliated with the Canadian Labour Congress. I believe we pay higher wages on the average than our competitors pay. This is not due particularly to the union, but due to the fact that on the average I think we have a larger volume of grain through our elevators than our competitors have, so we reward them on the basis largely of the work they are doing. The result is that our wages are higher. I am not prepared to say that our wages are higher because of the fact that the association was formed.

Mr. FORBES: Since your employees have become members of the union, have the salaries been increased?

Mr. GIBBINGS: No, we have not negotiated any salary agreements since they affiliated with C.L.C.

Mr. HORNER (*Acadia*): Your wages definitely vary on the high side. If the receipts for grain are high, he will be paid more than if they are low?

Mr. GIBBINGS: We operate on the basis of a minimum salary, with an accelerated crop basis.

The CHAIRMAN: May I remind the committee that we are investigating the price of farm machinery, not the internal operations of the Saskatchewan wheat growers.

Mr. FORBES: Yes, but we must bear in mind that the machine companies appeared before us and pointed out on more than one occasion that the cost of labour has increased. This is the question I am trying to determine from sources other than the machine companies.

Mr. GIBBINGS: The cost of labour has increased. There is no doubt about that.

Mr. FORBES: In your summary of recommendations, in number five, you go on to say:

That the federal government review legislation and practices affecting the operation of farm improvement loans to assure their fullest use by ordinary farmers, that it have amended the Farm Improvement Loan Act's terms to improve loans for the purchase of new and second-hand farm machinery and that it extend the Farm Improvement Loan Act's facilities to credit unions on terms similar to those now provided for the chartered banks;

I was studying the other day the recommendations of the royal commission on agriculture and rural life. In page 10 of the summary pamphlet, I find this:

There is evidence that the ease with which F.I.L.A. loans can be secured and the removal of financial responsibility from the implement dealer have resulted in some overmechanization in terms of the land resources of smaller farmers.

How do you correlate these two opinions?

Mr. GIBBINGS: It could well be that some farmers are overcapitalized in machinery and, as a result of having credit facilities available to them, it may be one of the contributing factors. At the same time, there may not be sufficient credit available, so that every farmer can have all of the equipment that he should have; or, he may be receiving the credit requirements through the F.I.L.A. I understand that the aggregate moneys available through F.I.L.A. have been increased within recent dates. This would seem to indicate that the demand exceeded the total amount available. That could happen. At the same time, you could have some people overcapitalized. I think that you will also find in that submission, if my memory serves me aright, that the suggestion was made that perhaps the banks ought to train their managers so that they would be in a better position to give sound managerial advice to the applicant.

Mr. GUNDLOCK: I hope they do not get any tougher.

Mr. GIBBINGS: The banks tell me, in discussing this question with them, that in areas served by more banks than one, if one bank attempts to give this type of advice, to suggest to the farmer that perhaps the combine he intends to purchase is beyond the size required for his operations, and refuses the loan on this basis, or asks him to negotiate for a smaller loan—then, if there is a competitive bank, the farmer goes to it and gets the loan. Therefore, the restraint some managers would like to put on the purchaser is bound up with the competitive position, which makes it impossible for him to do that and still make the loan.

Mr. FORBES: You extend that in your recommendations here and say you would extend the F.I.L.A. facilities to credit unions on terms similar to those now obtainable through hire-purchase. I presume you are quite familiar with the operations of credit unions, that you are well aware of the rates of interest and how they apply those rates. Is it your opinion that there is any way this action could be correlated to the credit unions? They do not loan money at five per cent to start with.

Mr. GIBBINGS: No. If they had the guarantee against loss that the Farm Improvement Loans Act provides they might. My understanding of the problem, as it exists with respect to the type of supervision that is given to credit unions, is that they are set up under provincial legislation which makes it impossible for the terms of the Farm Improvement Loans Act to be applicable to the credit unions. There are some structural changes which would have to take place in the credit unions themselves, or in the Farm Improvement Loans Act, to make it applicable.

Mr. FORBES: If you know any way in which that can be done, I wish you would enlarge on it. There was a bill just a short time ago on this subject. I do not think too many members were posted on how this could be done under the Credit Union Act.

Mr. GIBBINGS: I think it could be done if the farm union loan sponsors were prepared to take the chance without the degree of jurisdiction over the credit unions which is exercised over banks. If the opinion is it would not be expedient to provide the type of credit which is provided under the Farm

Improvement Loans Act without changes being made in the Farm Improvement Loans Act, then I think this ought to be stated and perhaps the necessary changes in the structure of the credit unions could be made. This does not apply only to farm improvement loans, but also to other government guaranteed loans, and excludes credit unions.

Mr. FORBES: I do not think banks restrict loans because they are short of funds, I think it is strictly on the ability of the farmer to repay. I do not see that there is any particular need to extend it to the credit unions.

Mr. GIBBINGS: There was a period a few years ago when the banks, according to them, were short of funds and restricted from improvement loans.

Mr. HORNER (*Acadia*): That was in August of 1959. As I understand it credit unions loan money at from eight to twelve per cent, which varies from one union to another. If I am wrong in that please correct me.

Mr. GIBBINGS: They have various interest rates.

Mr. HORNER (*Acadia*): Under the Farm Improvement Loans Act loans are made at five per cent. If I, for example, was a credit union and had money I could loan at eight to twelve per cent I would not be anxious to come under any provisions which would require that I loan money at five per cent. I remember the Minister of Finance, under some particular piece of legislation when this question was raised, saying that we have had no requests from the credit unions themselves to become lenders under this low rate of interest. I think this is the point. Have you had any definite requests from credit unions who want to come under these farm improvement loan regulations?

Mr. GIBBINGS: The larger ones, yes. The interest rates you referred to usually cover the insurance on the loan. It is included in the interest rate. I understand that this works out at about 1.3 per cent, or something in that order. The larger unions frequently have excess capital available. They deposit it usually in the cooperative credit society, certainly so far as Saskatchewan is concerned. The cooperative credit society, for instance, loans money to us at rates which would be no higher than the farm improvement loans. Therefore there is cooperative money available which could go into this type of loan under certain circumstances, one being I would say the guarantee. I recognize, as you do, that all credit unions do not have excess funds.

Mr. HORNER (*Acadia*): You suggested that if the credit unions had this guarantee they might be favourable to making loans at five per cent. Are the credit unions' losses high?

Mr. GIBBINGS: No.

Mr. HORNER (*Acadia*): Then why is the guarantee necessary? I believe it is only one-tenth of one per cent of the aggregate amount.

Mr. GIBBINGS: If I was a lender I would be influenced by this type of guarantee.

Mr. HORNER (*Acadia*): It seems relatively small.

Mr. GIBBINGS: Frequently it would be 100 per cent of the loss.

Mr. HORNER (*Acadia*): Say that the aggregate amount of the loan was \$1000 and the government guarantee is one-tenth of one per cent—here it is at page 4 of the annual report of the farm improvement loans board.

Mr. GIBBINGS: It is on the aggregate loans.

Mr. FORBES: I think this is very important in connection with machinery. We have had machine companies before us who have said that they have their own lending branch and that the cost of a loan to the farmer is as high as eleven per cent. If they could get loans at around five per cent interest it would make quite a difference in the total cost of the farm machinery.

Mr. TARDIF: Is that eleven per cent per annum on the full amount?

Mr. FORBES: Yes.

Mr. SOUTHAM: We have had a lot of discussion about farm credit and the systems we have. I would like to ask if in your opinion the maximum of \$7,500 which is now provided under the Farm Improvement Loans Act is enough to meet the varying changes in respect of the larger economic farm unit. Or, on the other hand, should the government take a look at it to see whether it should be larger? Have you any opinions as to whether or not this is adequate?

Mr. GIBBINGS: My understanding is that the maximum has been increased recently.

Mr. SOUTHAM: It was increased from \$5,000 to \$7,500. Does that appear adequate in view of the expanding economy of the farmer?

Mr. GIBBINGS: In the light of the increasing cost of farm machinery and equipment, and the other uses to which farm improvement loans may be applicable, my belief is that the maximum ought to be increased perhaps to \$10,000.

Mr. MUIR (*Lisgar*): I believe you have found from your questionnaire that the average amount of money invested in farm machinery is around \$9,000.

Mr. GIBBINGS: No. That was the figure in respect of the farm management clubs which are being operated.

Mr. MUIR (*Lisgar*): That is among the better farms.

Mr. GIBBINGS: Yes.

Mr. MUIR (*Lisgar*): Do you think that \$7,500 is a pretty good proportion of the \$9,000 invested?

Mr. GIBBINGS: Yes, for farm machinery; but there are other uses to which the farm improvement loans may be put.

Mr. SOUTHAM: Mr. Chairman, I would like to take this opportunity of congratulating Mr. Gibbings and his officials on this brief. It is based primarily on a questionnaire sent out to 887 farmers. I think this is very important, because when we set up the terms of reference and instituted this committee we were concerned about having a cross section of opinion from the farmers. In this brief we have the considered opinion of approximately nine or ten per cent of the farmers in Saskatchewan, which is one of the top farming areas in Canada.

I am interested in several of the statistics which were arrived at from this questionnaire. One is the fact that some of the better farmers, because of their technological training, were most critical of the type and quality of machinery they were getting. Having this technological know-how they were better qualified to form this opinion. This brings me to the previous discussion we have had about the quality of the farm machinery and the testing of it. I notice in the eight recommendations here there is no recommendation made as to whether or not there should be an improvement in the testing facilities. For instance, similar to those we have in Saskatchewan. There is no suggestion as to whether or not these should be enlarged, or whether we should encourage federal aid in order to have a national set-up. What would be your suggestion along that line?

Mr. GIBBINGS: I would say that it is desirable to have as much testing as possible in the areas where the machine is going to be used. I recognize, as you do, that there is a great variation in conditions even in one province. I would say that perhaps it would be desirable to expand this on a provincial basis, and have one of them in each area.

One of the complaints we detected in the questionnaire and also I think which has been mentioned previously in your deliberations is that machines are

made to service a wide variety of agricultural conditions over a wide area. Even with the amount of testing which the farm implement companies do it becomes difficult, before a machine is put on the market, to have it tested under all these conditions. I am sure that the companies are as anxious as anyone else to put out a machine which will do the job under all conditions. I think the more testing that is done the better machines the farmers will have. I also believe that in the end this will benefit the manufacturers.

Mr. SOUTHAM: We have had evidence to the effect that there is a suspicion of clandestine practice in the farm machinery industry, as well as others. We also have had accusations to the effect that the farm machine companies are putting on superfluous gadgets which are not necessary. I am wondering if it is in this area that we could recommend a wider distribution of this testing so that the people in checking the machines could determine if there is planned obsolescence and perhaps make recommendations. The companies are trying to vie with one another all the time with regard to putting out more models and personally I think there are weaknesses here which might be checked.

Mr. GIBBINGS: I agree with that. I believe this matter of planned obsolescence does exist. It as reflected itself in the multiplicity of model changes. In reference to the pamphlet from which Mr. Forbes was quoting earlier, at that time there were 75 models of tractors in the province of Saskatchewan available to the producers. This is a terrific number, when you think of the homogeneity of the production pattern in our provinces. It seems to me that the cost of carrying that number of models and the cost of carrying the repairs, along with the servicing cost, is ultimately an important factor in the price. The question of how you can regulate that with the dealership competition which exists between the companies is a different proposition.

Mr. SOUTHAM: We have had quite a discussion in respect of the enlarging of agencies so that they could accommodate the farmers by giving better service and maintenance of machines. Do you think, with regard to the establishment of these, that we have reached the saturation point, or should we go further? We spoke about the fifty miles a farmer is willing to drive to get service.

Mr. GIBBINGS: I know this is not a popular suggestion to make with reference to the dealer, but we are thinking in terms of the producer. My feeling is that the producer would be serviced better if there were still further consolidations of machinery agencies and repair depots. I think it is interesting in our questionnaire that the farmers did not complain about having to go a fair distance for repairs and parts. Their complaint was in respect of the inability to get them. This is due to two factors. The first is that the agency may not have the part. The other complaint was that frequently the nearest agency was not open when they got there. These seem to be the two areas of complaint, not the fact that they had to go a good distance.

Mr. HORNER (*Acadia*): The implement dealers presented tables with respect to the dealers and the areas. I was particularly interested in one table because it set out the average radius for the different provinces of Canada. In Saskatchewan the average radius of trading area was 24.3 miles, the largest of any province in Canada. Would you say that is approximately right?

Mr. GIBBINGS: I would not know the distance in other provinces, but I am sure the figures are approximately correct in respect of Saskatchewan.

Mr. HORNER (*Acadia*): Would you say that the 24.3 miles would be approximately right?

Mr. GIBBINGS: Yes.

Mr. HORNER (*Acadia*): And that this might even increase?

Mr. GIBBINGS: It might.

Mr. GUNDLOCK: My questions are along another line. I would like to go back to the question about horsepower. I think you said you thought they might use different methods of testing.

Mr. GIBBINGS: That was a facetious statement. I did not really mean they had changed their standards of testing. I do think, however, that many tractors are overpowered for the type of equipment the farmers tie on behind them.

Mr. GUNDLOCK: Overpowered?

Mr. GIBBINGS: Yes.

Mr. GUNDLOCK: They claim that the price today per horsepower is a very small percentage above what it was, I think they said, ten or twelve years ago. That is rather a surprising statement.

Mr. GIBBINGS: It is. I must say that we have made no calculation that related cost to horsepower. The calculation they made undoubtedly is a correct one.

Mr. KORCHINSKI: Rather than follow the pattern which has been established here earlier, I am going to be a little critical of Mr. Gibbings in his submission, because of the fact that on page 56 of your volume 2, you report that the majority of farmers who cited suggestions or complaints said that the prices of farm machinery and parts were too high.

Mr. GIBBINGS: Yes.

Mr. KORCHINSKI: Now, I think that your organization is as vitally concerned about the price of machinery as we are here. It is our duty to sit here and to try and figure this out in some way or other. I see nothing in your submission, sir, to give us any indication as to how we can accomplish these things. I think this is one of the biggest complaints. You have 887 farmers citing these suggestions from 16 different districts. Now, one of the biggest problems is this. I look through your recommendations and I find that you make suggestions, like perhaps, that evening and weekend services for farmers should be provided. However, I think you will agree with me that if this is provided, it will cost extra money in the end, and as a result, the farmer will have to pay more money for his machinery if he wants to keep that machine agent in business, and so on.

And, what else do I find? I find another suggestion here that the farmers should support to a greater extent the operation of C.C.I.L. I have brought this up before, and I would like to hear your comments on it. If that should be the answer, why have we not, as farmers, supported Co-operative Implements Limited more than we have? As I have mentioned here, I have gone, on several other occasions, from one dealer to another in an endeavour to find out where I can buy a certain piece of equipment cheaper, and if I am unable to buy it at a better price, I wonder why they have not been able to arrange that for me.

Another thing you suggested is that perhaps there should be more mechanical service, and that sort of thing. Again, that, to me, suggests that it is going to cost more money to have these services.

Everything in your brief, other than standardization, would suggest more money. Now, I know you are concerned about that, as we are, as your organization has demonstrated this on several occasions.

If I may say so, you have not any specific recommendations, and if so, how are we supposed to come up with some solution, without your assistance?

Another suggestion of yours, which is set out at page 56, is that the dealer should stock parts for longer periods of time. Again, if that is done, it will cost extra money.

Recommendation 3 is in connection with standardization, and this is one of the recommendations with which I agree.

I would like to have your comments on all these things I have said, before I proceed.

Mr. GIBBINGS: Mr. Korchinski, your point is well taken. When we considered the type of submission that we should make, we consciously chose this type of presentation because we felt it would round out the type of evidence which you were getting, and that if we went directly to the producers and obtained their opinions and made comments on them, this would give you the type of information that was not obtainable easily otherwise.

We said at the outset that the farmers felt that the price of machinery was too high. We stated that on a number of occasions, and then proceeded to say, in our submission, that we proposed to deal with some of the other aspects of mechanization in terms of availability of repair parts and supplies, the type of service, the amount of money that the purchaser was spending on machinery, and so on. We did this consciously as we believed that it would round out the total picture. We were convinced, and subsequent advice has proven us to be right. You have had people here and, no doubt, will be bringing more witnesses who will be much more competent to deal with the question of distribution costs, the question of manufacturing costs, and so forth, than we would be. We do not have the facilities available to us which would be available to some of your other witnesses.

It is true that we have made some comments here which may, on the surface, appear as if it is going to cost the producer more money. However, it is a question of whether it is going to cost him more money to have this type of service, or whether it is going to cost him more money by being without the use of a certain piece of equipment which has broken down. I think you will recognize that there was, at least, some 30 per cent of the farmers who said that they lost the use of their equipment from two to seven days during the year. This cost to the farmer, through breakdown of equipment at a vital time of the year, such as during the harvesting or seeding season, would prove very costly to the producer. It is a question of attempting to balance them. We suggested, in so far as farm machinery is concerned, that by reducing the number of models and standardizing the components and repair parts, as well as eliminating unproductive machinery features, and consolidating their service, this would, in the end, result in better and cheaper service to the producer.

I do not want to go through the balance of these which indicate those particular recommendations which, we believe, would reduce the ultimate cost to the producer or, conversely, improve the service. This is what these recommendations were designed to do, and I think, by and large, they do just that.

There was a multitude of other recommendations which we might have made; however, we felt that the ones we did make flowed out of the opinions which were expressed by the producers through our questionnaire.

Mr. KORCHINSKI: Mr. Gibbings, am I supposed to deduce from what you said that the farmer is not complaining about the cost of farm machinery, but that he is more concerned about having it serviced, and that the cost is not a factor at a certain time of the year.

Mr. GIBBINGS: I am saying that we said categorically here that a large percentage of the farmers said that farm machinery costs initially, as well as farm machinery repairs, were too high. However, I think you will admit that there is a balance as to the additional cost involved in the farmer's operation, if the machine is broken down, as against the additional distance he might have to go for a repair part, or supplies. This is the point I was making.

Mr. KORCHINSKI: I know I would not want to tie up a \$7,000 machine, if I needed only a \$5 part. I would like to keep that machine working. Am I correct in my assumption that they are not concerned with a certain time of the year, say harvesting or seeding. Is that not one of the factors to be considered at that time?

Mr. GIBBINGS: Are you referring to the cost?

Mr. KORCHINSKI: Yes.

Mr. GIBBINGS: Yes, quite.

Mr. KORCHINSKI: It is a factor, but it is not their primary concern. Then, you say you should centralize. If you are going to centralize, that is going to mean that some of these areas that are presently serviced by a dealer will not be in existence, and that you will have to go further. I know what my attitude would be in this regard, and I would like to have yours on the record. You have stressed centralization here.

Mr. GIBBINGS: Yes. The key word there is "service". If the dealer is, in fact, able to provide service nearby, this will meet the requirements of the producer. However, the producer was complaining, in this questionnaire, that he was not getting service from a great number of the dealers, and we suggested that perhaps centralization would give the dealer sufficient volume so that he could provide the type of service the farmer was demanding.

Mr. KORCHINSKI: You are, no doubt, familiar with our area of Mackenzie, and Yorkton. Some of the machine companies have pulled their operations out of there, and we have had to deal through Regina, Winnipeg, and other places. The train service, as well as other types of transportation, has been such that on several occasions they have not been able to meet our demands. I cannot see how centralization has helped us to service our machines better than they were before. There have been occasions when we have had to hold up for another day, whereas, if I could have whipped into Yorkton, I could have received the proper service and been on my way. I am unable to see how centralization is going to improve our operations.

Mr. GIBBINGS: I am not sure that we are talking about the same thing.

Mr. KORCHINSKI: You are speaking of dealerships?

Mr. GIBBINGS: Yes, and you are speaking of warehouse and distribution facilities, rather than dealerships, in so far as Yorkton is concerned.

Mr. KORCHINSKI: Yes.

Mr. GIBBINGS: You were in a preferred position there, in that you did have warehouses and the ones who were servicing could go direct to these warehouses and get the necessary parts.

Mr. HORNER (*Acadia*): First of all I would like to clear up any misunderstanding I may have created in my statement concerning farm improvement loans. I find on page six of their annual report for 1960 that the government guarantees 10 per cent. That would be the accurate amount; and that the loss ratio under the Farm Improvement Loans Act, has been one-tenth of one per cent. Now, may I proceed. You said that you thought this \$7,500 should be increased to \$10,000; and you also stated in your brief that the average amount of investment in farm implements has been about \$9,000. I notice that in the 1960 annual report on page four they say that the average size of loans has been increased progressively from \$784 in 1945, to \$1,497 in 1960, so that the average loan is not too high according to this. This is on farm implements, and they go on to say that in 1960 there were 28,774 borrowers who had not previously obtained farm improvement loans, and that these accounted for 42 per cent of the total number of loans made. So I suggest that this points out that a great

many borrowers are continuing to borrow, and not for the first time, under the Farm Improvement Loans Act, and that their borrowing, as you can readily judge from the average size of the loan, is not too high.

In the light of these facts do you still think—and I ask this in all seriousness, because I am here to try to promote better conditions for the farmers at every turn—do you still think that by increasing the farm improvement loan to \$10,000 you will actually be helping the farmers to any extent particularly the small farmer who may not have had a chance to borrow before, or someone who may be borrowing for the first time?

Mr. GIBBINGS: I would not want anything I say to be interpreted as being critical of the Farm Improvement Loans Act. I think this has been a remarkable piece of legislation, which has been of great assistance to the producers. I recognize that there would be a limited number of producers who would want to have the maximum loan under the Farm Improvement Loans Act, and that any advance beyond \$7,500 maximum at the present time, would assist the small producer as you suggest.

Mr. HORNER (*Acadia*): That is fine. Thank you a lot. And now to follow it up a little further: you suggest in your brief that, relatively speaking, the farmer with some experience in business has an awful lot on equipment. I do not know the exact page, but perhaps I could find it. You suggest in your brief that the farmer who has had quite a few years of experience in farming—I think you use 40 years—is pretty well stocked, generally speaking, with farm equipment, so he does not need to do very much borrowing. He may, more or less, sit tight. So it is not that particular farmer we want to help by increasing the amount which could be borrowed. It is the small farmer, the little guy who is doing all the borrowing, that we want to help. You stated that you do not really think that a \$10,000 increase would help this particular small type of farmer.

Mr. GIBBINGS: It all depends on the uses to which he was attempting to put the money. If it was an attempt to equip himself from the beginning, for instance, I think you would agree that the maximum of \$7,500 would not be any more than what he would require even for machinery. But if he wanted to utilize the provisions of the Farm Improvement Loans Act for other uses to which it may put, it is quite conceivable that his need may be beyond \$7,500, even though he may be a large farmer, or one who had been in operation for a considerable period of time.

Mr. SOUTHAM: I am quite interested in this farm credit question. It brings me to the thought of the farm credit corporation. You realize we have looked into this. In itself it is trying to assist the farm economy. I was wondering if in the survey you made you got any replies back, or any comment from any of them—I did not see any note of it in your submission—as to how it was working out? You say there was a spread between 21 to 45 which came under part three of this act. I was interested in your comment a moment ago when you said you thought that certain banks vied with one another for these loans to farmers, and that they were a little reluctant to give the farmer the advice that he should have. This farm credit corporation sets out the help which they extend in that particular aspect. Did you have any comment on it from the cross-section of the 887 questionnaires which you sent out?

Mr. GIBBINGS: No. Mr. Phillips tells me no. I believe that the act to which you referred is serving an extremely useful service, and that an amendment or consolidation of the amount which has been incorporated in it could be a very useful adjustment. This is particularly true, and I am glad to see the supervision that could be given to loans under certain circumstances.

Mr. SOUTHAM: That is an aspect of it in which I am very much interested.

Mr. FORBES: On page 16 you say that government policies must continue to recognize these developments and adjustments and must continue to help the farmers rather than hinder them. In what aspects have we been hindering farmers by any government agency?

Mr. GIBBINGS: My observation is that we suggest you should continue to help them rather than to hinder them. We simply throw out the suggestion there.

Mr. FORBES: I thought you meant that we had hindered them.

The CHAIRMAN: Are there any further questions?

Mr. HORNER (*Acadia*): I would like to point out that in the 1960 year of the Farm Improvement Loans Act—and this is relevant to the brief—it is stated in the brief that the young farmer starting out was buying mostly second-hand equipment. In the 1960 year, farmers purchasing second-hand equipment borrowed on tractors to the average amount of \$1,000 per tractor, and a little less than \$1,000 on trucks, and a little over \$1,000 on combines. This is a rough summary of what you have borrowed, and the uses made of it. So for the second-hand tractors you suggest they are paying \$7,500, and I am suggesting that it is just enough, or probably just enough to meet most of their average needs.

I have a further question on page 15 which interests me to quite an extent. Let me put it this way: you say near the bottom of page 15 that most of the farmers live on their land all year round and few of them, or their wives, have off-farm jobs. I wonder if you have a percentage as to how many? If you do not have a percentage, I wonder if you would be good enough to comment as to whether or not you think at one time—I might say I was born and grew up in Saskatchewan—that at one time a lot of people in Saskatchewan were leaving the farms and living in towns, and doing their farming from towns. It is implied that this trend is perhaps being reversed, and that more people are moving towards the farms.

Mr. GIBBINGS: This was the situation that actually existed among the sample of farmers that we surveyed. And perhaps in this regard they may not be representative of the total. We suggested the secretaries of our committees may have consciously been chosen because they were living in the district the year around. Any comments I might make with respect to the latter part of your question would be pure speculation. But my observations are that there is certainly a declining trend to village and city living on the part of farmers. And in some instances that I know of, there is a bit of a reverse trend, partly due to the diversification of agricultural production, in that many grain farmers who have been exclusively in grain and who lived in towns and villages during the wintertime, are now moving back to the farm and feeding some livestock on the farm. In addition to that, the improvement in transportation facilities has resulted in a lesser degree of isolation, and a greater opportunity to provide educational facilities for their children, than was the case a few years back. These factors, I think, in combination, have slowed down the movement towards the towns, and in some cases have reversed it.

Mr. HORNER (*Acadia*): This agrees with my own opinion. I have thought that this trend is perhaps reversed to some extent, and I am glad you verify it. Now, to ask you one more question, on page 19, you suggest that the larger farmers also report more tractors in total. You suggest that this is because of their ability to purchase. Would it not be because of their need to do so? I mean that a large farmer will need more tractors and maybe better equipment, because he has more money in standing stock, and if he does not get that crop off, he will have a lot of debts hanging over his head.

Mr. GIBBINGS: Yes. If it resulted in anything less than this, I think you and I both would be very surprised.

Mr. HORNER (*Acadia*): Yes.

Mr. KNOWLES: I have one question on page 21 where you say that on the whole mixed farmers seem to have a higher machinery inventory than the purely grain farmers. I was rather interested in that, because I come from Ontario, from an area where they do quite a bit of specialization as well. We have noted, too, that a person may specialize in one crop and have one type of machinery, while some other farmers would have a fuller line. I notice you say that of the few with more than \$30,000 in machinery inventory, most are grain farmers. Would that be because they are very large operators?

Mr. GIBBINGS: Yes, this would be the larger sample.

Mr. KNOWLES: I was wondering if there was a limit in there somewhere, where the thing changed according to the size of the operation.

Mr. GIBBINGS: At the bottom of page 21, in table 12, it is pointed out in the investment per farm for grain, livestock, and mixed—you will notice in the \$30,000 value class that 4.1 per cent of the grain farmers had that classification as compared to 1.58 of the mixed farmers.

Mr. KNOWLES: I know from reading, and from talking with people from western Canada that you are diversifying, and that your farming as compared to earlier years is becoming more mixed. The cost of machinery would have to be regulated, but you cannot do that. However, would you not be better off if you specialized in a certain line, rather than to try to undertake many different operations?

Mr. GIBBINGS: Yes, I think this is what is transpiring as well. But rather than have a single enterprise, they chose to have one enterprise plus one other major supplementary enterprise, that is, rather than having a great multitude of small enterprises, they are concentrating on one, two, or three major enterprises.

Mr. SLOGAN: Mr. Chairman, I would like to go back to the point raised by Mr. Korchinski concerning the C.C.I.L. on page 57, where the statement is made as follows:

C.C.I.L. has proven that it can market suitable and adequate farm machinery at prices below the average for the credit and corporate machinery companies and it has also shown that it has facilities to claim a larger share of the market from one year to the next.

My question is on page one where the Saskatchewan wheat pool states that they represent not only the 7,500 members patrons, but also the entire Saskatchewan farming community which is now estimated to number about 97,000 farmers. I am all in favour of the C.C.I.L., and I think that they probably believe a lot of these problems could be corrected. But what I cannot quite understand, and I would like to have your view on, is how, when the C.C.I.L. is asking for it, and when the national farmers union, and the Saskatchewan government said that they would be willing to assist them financially, and with their organization which is a very powerful and influential one—that in spite of this they have only been able to capture 2.7 per cent of the market for farm machinery in western Canada. What is wrong? Is it that you do not have influence, or is it that the C.C.I.L. has not met the needs of the farmer?

Mr. GIBBINGS: The manner in which savings have been demonstrably possible has come about as a result of a reduction in distributing costs as well as sales costs, particularly. Farmers are peculiar individuals, in that they buy voluntarily almost everything except machinery. They have to be sold machinery, it would seem. I think this is one of the contributing factors. And I believe, in reference to your suggestion, that in spite of the fact that all these

organizations are giving support to the C.C.I.L. on an official basis, that I would be the first to admit that in so far as our own organization is concerned, we have not been as helpful and as effective as we might have been at the local level in supporting the C.C.I.L. In other words, we have not done a lot of promotion at the local level. I believe this is one of the contributing factors. When I was on the farm operating it myself, I had a large percentage of my equipment in the form of C.C.I.L. equipment. It was very satisfactory in terms of service and by that I mean in terms of service received from C.C.I.L.

This is one of the great mysteries to me, as to why, when they can demonstrate that there are savings to be effected, and that there are larger savings to be made than was the case in the past, that if producers could utilize the C.C.I.L. to set up for themselves, why they do not do it. This is a complete mystery to me. I just do not understand it. I think the cause has been lack of promotion, in that we have not promoted it in our voluntary organizations, and that therefore they lack the direct contact; I refer to C.C.I.L. as compared to many of the other companies.

Mr. SLOGAN: Do you think that we, in the government, can regulate farmers and regulate farm machinery to the point where we can improve the situation drastically? When the national farmers union were here we heard from one of the farm union representatives, who said that he had three or four different types of machinery on his farm, none of which were C.C.I.L. machines. It seems to me that when you have a farmer within this organization which represents farmers, and he is not willing to face the responsibility, do you think that the government can force him to do so, or regulate it to the point where this situation can be drastically changed?

Mr. GIBBINGS: No. This recommendation was directed to the farmers themselves. We suggested specifically that the farmers, by themselves, support to a greater extent the operation of the C.C.I.L. and so on. We did this in the hope that some additional publicity might be directed to the farmers at this particular time. In other words, this was the method which was employed. We did not expect that the government could take action.

Mr. SLOGAN: The other point I would like to bring up again is that there is a similar co-op in the province of Quebec. You have probably read about it. It has captured 30 per cent of the market for farm machinery in the province of Quebec. Obviously the prices they are selling at are not below what the farmer can get his machinery for from private sources, or he would be buying it from them. Do you think that your organization, and other farm organizations would be willing to sit down with the C.C.I.L. and perhaps change their whole concept to the extent of what the farmers demonstrate that they will support?

Mr. GIBBINGS: The C.C.I.L. have a policy, as all cooperatives have. It is one which says that they will sell at a competitive price, and that any overcharge will be returned in the form of a patronage dividend. This obviously involves the slogan of an immediate benefit to the producer, in that at the end he will be getting a patronage dividend. There is a wide difference between the co-operative federation in the province of Quebec and the C.C.I.L., in that the Quebec co-operative, as I understand it, have the sole distributor rights for one line of equipment in that province, and there are no competitive dealers selling that particular brand of equipment in the province of Quebec. But in the area serviced by the C.C.I.L., according to the contract which they have with the Cockshutt company, as I understand it, it prohibits the C.C.I.L. from establishing agencies in areas which are currently being served by an agent for Cockshutt. So that the same equipment which is purchased and resold by C.C.I.L. from Cockshutt is already being sold by a large number of agents for

Cockshutt, who are directly competitive with C.C.I.L. I think that is one of the contributing factors to the difference in the volume of the market that C.C.I.L. has been able to capture as compared to the Quebec co-operative.

Mr. SLOGAN: Apparently the Quebec cooperative provides very good service as well as private schools for the dealers, and it appears that it is not just the lower price and the exclusive dealer establishment which makes a difference, but rather the superior service which it provides. Would you think that perhaps the C.C.I.L. could give the farmer superior service as compared to the private dealer, or could it give just as good service?

Mr. GIBBINGS: Well, my experience would not be a fair sample, because I am reasonably close to one of the C.C.I.L. agencies. I have no complaints of the service that I get, or of the availability with respect to spare parts and supplies. But this might not be general. I would not want to make a judgment on it.

Mr. KORCHINSKI: Since you advocate the use of C.C.I.L. facilities, and since one of your recommendations is for the standardization of models and so on, can you give me one example where the C.C.I.L. has done that with their machines?

Mr. GIBBINGS: Yes. I think that since the C.C.I.L. began to manufacture, sell, and distribute discers that they have had two models over that entire period. Mind you, they made some minor adjustments on the models that they did have; but this is one instance where they were bringing out different models.

Mr. KORCHINSKI: How many years ago was this?

Mr. GIBBINGS: If I remember correctly I bought my first C.C.I.L. discer in 1948, and I believe it was about 1955 or 1956 when they changed the model of their discer. I have that same model now.

Mr. KORCHINSKI: What were the changes? Was it a bearing in this case?

Mr. GIBBINGS: They changed the bearings, they changed the design, and they changed the feed box to a larger feed box. It was quite a major change when they did make it.

Mr. KORCHINSKI: But that was a change; it involved a newer type of bearing.

Mr. GIBBINGS: Yes.

Mr. KORCHINSKI: And this was a change which was effected because of what other companies had done. You almost would have to fall in line with the rest of the changes in order to compete with the others.

Mr. GIBBINGS: I think this would be right. I do not know whether or not all companies did it.

Mr. KORCHINSKI: But, if the other companies had not come out with these changes, we still may have been using the older type of bearing.

Mr. GIBBINGS: This is a possibility. However, I would not want to say so categorically. It would be an opinion.

Mr. KORCHINSKI: I have another question, but it concerns another subject.

Mr. SLOGAN: I have a supplementary question.

Mr. HORNER (*Acadia*): So do I.

Mr. SLOGAN: Do you think that it would be possible for C.C.I.L. to acquire an exclusive dealership for Cockshutt equipment in the province of Saskatchewan?

Mr. GIBBINGS: They have not been successful in negotiating that type of contract.

Mr. HORNER (*Acadia*): I have a supplementary question. You suggested, in answer to a question by Mr. Slogan, that perhaps the C.C.I.L. was not close enough to the farmers. Were not the wheat pool agents at one time also agents for C.C.I.L.?

Mr. GIBBINGS: I believe some of them were at some time agents for the portion which was manufactured by C.C.I.L. at the Elmwood plant, for a short period.

Mr. HORNER (*Acadia*): But this did not prove successful?

Mr. GIBBINGS: No, it did not. Our agents are buyers and not sellers.

Mr. HORNER (*Acadia*): Could I ask one more supplementary question. Do you think C.C.I.L. should manufacture a full line of its own equipment?

Mr. GIBBINGS: I think it would be desirable, although I think you do realize, as well, that it is a pretty competitive field and would require a great deal of capital which C.C.I.L. at the moment does not have.

Mr. HORNER (*Acadia*): But it has backers.

Mr. GIBBINGS: It is true that it has backing, but, when you start talking in millions, which this would involve, it is a different situation.

Mr. HORNER (*Acadia*): I do not know how many millions would be involved, but I know that the Saskatchewan government said in an earlier brief, that C.C.I.L. has standing offer with them, and that at any time they want to borrow money, they can go to them.

The CHAIRMAN: Have you a question, Mr. Muir?

Mr. MUIR (*Lisgar*): Mr. Chairman, my questions concern the same section, namely, recommendation No. 8, which says that farmers by themselves support to a greater extent the operation of Canadian Co-operative Implements Limited, the farmers own machinery manufacturing and distribution co-operative. I notice that this recommendation is taken from the answers of 34 sample farmers out of 887. Would you not think that that is a small proportion of the farmers upon which to make that recommendation?

Mr. GIBBINGS: Well, it is a higher proportion than are now using C.C.I.L.

Mr. MUIR (*Lisgar*): Well, then, I have a supplementary question to that, and you may have answered this question before. Is one of the reasons that C.C.I.L. is not selling machinery due to the fact that they are not giving the service?

Mr. GIBBINGS: I think the reason is more that they do not have the same battery of salesmen on the road.

Mr. HORNER (*Acadia*): In other words, they should have a bigger and better distribution system.

Mr. GIBBINGS: If they had that, I think many of the savings that could be effected would be lost, as additional costs would be involved. You cannot have it both ways.

Mr. HORNER (*Acadia*): No, you cannot have it both ways.

Mr. MUIR (*Lisgar*): I must disagree with you in connection with the sales because I know from my own experience, and from the experience of my neighbours, that when it came to buying a Cockshutt machine, like a swather either from the Cockshutt dealer or the C.C.I.L., it was invariably bought from Cockshutt, because they did supply a service center in the district involved, and the people bought it because they felt they could go and get quicker service from Cockshutt. I really think that the point C.C.I.L. is falling down on is in connection with giving service.

Mr. GIBBINGS: I believe the management of C.C.I.L. have recognized this. At the present time, I believe they have 40 depots in the three prairie provinces,

and they are intending to expand to 60, in order to fill up some of the gaps and to bring their service a little closer to the producer than otherwise would be the case. I think the point has been well taken and has been recognized by them.

Mr. MUIR (*Lisgar*): Do they also supply repair service in these centers?

Mr. GIBBINGS: Yes.

Mr. KORCHINSKI: Mr. Chairman, my question is along a different line. It has to do with custom-hiring and renting. I know that a certain amount of this is being done, and I think there are certain farmers here who will agree with me when I say that we all go in together on the purchase of certain types of machinery. For example, I have a swather in partnership with others, and that sort of thing. However, do you think custom-hiring is a good feature in the western economy, as far as the farmer is concerned? I could illustrate the case where they have combines coming in all the way from Texas, and they work their way through, right up north. Do you think this is a desirable feature, as far as the farmer is concerned?

Mr. GIBBINGS: The farmer, in making a decision as to whether he will buy or whether he will have his crop harvested by custom-harvesters, is determined to a considerable degree on the availability and timing of the operation. In living where you do, you recognize that the harvesting period is extremely short, and it is quite possible that if a custom machine is not available at the time the crop is ready and the weather is right, a considerable loss could be incurred by the farmer in not getting it under conditions suitable, and, therefore, the value of the product would be affected.

I do believe that there are circumstances and times when the producer would be well advised to rent equipment, if it is available, rather than purchase. There are certain types of equipment which are not used over a long period of the season, which might be rented for that short period in which they are used, even though the rental cost charges appear to be high in relation to the output that the farmer must make in order to purchase it and maintain it. I believe if the farmer sat down over a period and worked this out, it would be to his advantage to rent equipment, rather than to buy it. Of course, this is the other alternative to having custom-done, and the combination of these two might be utilized, I think, to a greater extent by producers in certain specialized types of operation, than is the case today.

Mr. KORCHINSKI: I have been told by machine dealers that there seems to be a thought in the minds of the machine manufacturers, that if, for example, in certain areas—and mine might be one of them which falls in that category—where you have a large number of small farmers, when you have to start paying anything as high as \$10,000 for a combine, you begin to question the advisability of buying one. Is there any objection, then, to machine companies providing this particular type of service, rather than selling the machine? They could do it on a sort of rental basis. They could give the machine to the dealer and he could then go ahead and service it, and provide that type of service. Is there any particular objection from your organization to that happening and, if so, would it affect our western economy?

Mr. GIBBINGS: I have no objection whatever, if it makes a contribution to the farmer's welfare. I think that all avenues must be surveyed by the producer, and that he ought to use the pencil, at least as much as he does, in calculating the relative advantages of alternate courses he might pursue.

Mr. SOUTHAM: Mr. Chairman, I have a supplementary question to that asked by Mr. Korchinski. With this apparent trend that is slowly developing on the part of some farmers to use the pencil, and possibly rent the machinery or collectively purchase it, do you think that if this is developed enough, it

would have a tendency to influence machine companies to take a look at the whole situation, and that it would have the effect of keeping the cost trend down a little bit I am thinking that they might feel that this was a development that was working contrary to their sales expansion, and that it might make them take a serious look, because, from the statistical point of view, their sales picture would change and would go down.

Mr. GIBBINGS: If I might repeat, I do not think that the machinery manufacturers and distributors are immune to the desires of producers, and I think that if there was sufficient demand for this type of thing, although they might be reluctant to do it, they would provide this type of service. I understand that they do this now, to a degree, but more so in the United States than in Canada.

Mr. SOUTHAM: Well, that is my point; if this trend developed to a large enough extent, it would prove to be a factor in the self-preservation of the farm economy, and would cut down the overhead cost of a group of farmers. I am thinking of the collective renting of machinery, rather than each farmer having a full range of machinery.

Mr. GIBBINGS: This is another possibility.

Mr. KORCHINSKI: We do now a considerable amount of custom baling and combining, and this has been going on, to some degree, in the past. However, I think when the price of certain machinery gets to a level where you question the advisability of buying it, there would be a real danger in that we would no longer become independent farmers, and that a lot of these companies would then say, "We will rent everything to you" and we would just become workers for them, to that extent.

Mr. GIBBINGS: I am a great believer in independence, but only at a price. I think that if the producer can give the type of service at a cost which can be demonstrated to be less than if he owned the machinery, then it is to his advantage to do it, give or take whatever he considers to be the price of independence. He might decide, for instance, that there are savings of \$100 a year, or something of this order, and he might consider this is insufficient from the point of view of the convenience of having a machine in his own yard, and that sort of thing. But, with the increasing intensity of the cost-price relationship, I think that you and I will both agree that every possible avenue that the farmer can employ, which will increase his net income, should be explored. I am not sure that all these suggestions we have thrown out here would work all of the time, but if some of them worked some of the time, the producer would be better off by employing them.

Mr. KORCHINSKI: If this trend developed over the years, it might end up by communizing the whole system.

Mr. GIBBINGS: I am neither advocating nor expecting that it will happen.

Mr. MILLIGAN: It is my thought that we have to be practical when we are talking about renting machinery and, if we do so, it should be for only two or three different people. The things we have been talking about are most impractical. Combines and things of that nature are needed today because of the size of the farms, and it is necessary to have individual ownership of them. However, chisel plows and a few specialized tools could be rented. Outside of these specialized tools, I do not think it provides the answer.

There is one question that I would like to ask at this time: I have been informed over the last couple of days that machine companies are increasing the price of machinery by 3 per cent next month. Have you heard any comment to that effect, and is that in western Canada?

Mr. GIBBINGS: I have not had any information, and my only hope is that you are wrong.

Mr. HORNER (*Acadia*): We all hope that you are wrong.

Mr. CLANCY: I appreciate those parts of your brief which deal with repairs and service, but do you not feel that the consumer is somewhat responsible for this lack of service? If I may say so, I come from an area where we have a great number of small dealers. You made a suggestion that they should remain open evenings, and on weekends. I know, in our area, they are open all the time. You mentioned getting the pencil out. What is worth more, paying \$1.25 for a telephone call, or driving 50 miles? Then, you mentioned this pooling system. Custom combining usually was done by a man who had a farm of his own, and, after he did the combining on his own farm, he would then do custom work. We have an example in Saskatchewan of cattlemen feeding concentrates. I know in the Yorkton area a couple of young enterprising farmers have set up a unit whereby they take to the farmer all the machinery that is necessary to do the work and provide everything. It seems to me it is either a case of where you are going to invest capital, or hire these people to come in and do the job for you. Is that what you are referring to by custom work?

Mr. GIBBINGS: Yes, it is a new trend that is taking place in livestock feeding. Farmers are becoming more conscious of the need of adding supplements, and the individual cost of providing this, with the facilities to do it adequately, comes pretty high, in the aggregate. The two enterprising young individuals that I incidentally met the last time I was in Ottawa, are providing a type of service to the producers in that area which will be beneficial because they come onto the farm, use the grain that already is on the farm, do the grinding, mixing and preparing, and do it in very quick order. They did not reveal to me what the costs were going to be, but if it can be done more cheaply than the individual farmer can do it I think it is a type of service that is desirable.

Mr. SOUTHAM: Mr. Chairman, there is one aspect of this whole thing that has not been discussed, as yet, and I was wondering if we could have your comments on it. During our inquiry into the cost of farm machinery and operations, machinery companies have placed a lot of stress on the labour factor. Did the replies to the questionnaire which you sent out to these 887 farmers contain any comments in regard to the labour factor, as it affected farm operations. I am not thinking of the individual cost to the owner, but just the employing of labour. We have had considerable discussion on this. I have made a survey in my own area with respect to bringing farm labour under the Unemployment Insurance Act in an endeavour to improve this problem. Would you care to comment on this?

Mr. GIBBINGS: Mr. Southam, we did not ask a question which would be likely to bring out this type of information. However, we did ask a question at the bottom of page 15—and it is question No. 12: Do you operate your farm entirely alone, or with family help, and so forth? The answers are set out at page 16, and they indicated that 12.7 per cent of the sampled farmers, and 19.5 per cent of the random sampling that we took to check the sample we were using, used hired help, and 22.2 per cent of the sampled farmers and 12.2 of the random farmers used both family and hired help. However, there was nothing in the question that would cause them to indicate whether or not the cost of labour, either in the manufacture of equipment or in their own farming operations, had any effect on it.

Mr. SOUTHAM: I do know that the farmers are experiencing great difficulty in employing competent help, and I was wondering, as a result of this, if that is the reason they are investing to a larger degree in farm machinery. Perhaps this is part of the over-all problem.

Mr. GIBBINGS: I do not think there is any question but that the farmers are replacing labour with equipment. There is the difficulty which all of us experience in trying to acquire competent help on the farm, and that prompts as many of us to do as much as we can ourselves; and this frequently means additional equipment.

Mr. KORCHINSKI: Why did you not put in your questionnaire: "Do you not consider that labour is a contributing factor in the over-all cost of machinery and part, and so on?"

Mr. GIBBINGS: Yes, we considered this was a part. We did not ask that specific question, but I think the purchasers had this in mind when they said that farm machinery, the cost of it, and the cost of repairs, are too high. They probably recognize that one of the contributing factors is the cost of labour, although they did not identify this or any other specific factor as being the cost, or attempt to evaluate the proportion of each that contributed to the higher cost. I understand that you will have before you later, if not already, representatives from the labour groups.

Mr. HORNER (*Acadia*): On Monday.

Mr. GIBBINGS: You might ask some of these questions then.

Mr. KORCHINSKI: Some of the submissions which have been presented here have indicated that labour and transportation and material are the main contributing factors in the price of farm machinery and parts. Do you agree with that?

Mr. GIBBINGS: I believe that these will be the major factors.

Mr. SLOGAN: In the brief from International Harvester they mention an increase in average hourly cost from 1949 to 1960, 99.3 per cent; an increase in retail price of machinery, 60.6 per cent; an increase in the cost of materials, 45.8 per cent. In other words, the cost of material rose at approximately one-half that of the cost of labour. In the Massey-Ferguson report there were similar statistics to show that labour costs had risen more than any other cost factor in the implement industry, and more so than the price of farm machinery. Would you not say then that one of the main factors would be the labour costs contributing to an increase in the price of farm machinery?

Mr. GIBBINGS: Those figures on the surface would appear to indicate this, and they may, in fact, indicate it. I think one of the other factors that might alter that conclusion would be the productivity of labour within those industries. I do not know what it is, whether it has increased or declined; but I think you would recognize that even though the cost of labour, conceivably at least, may go up on a per hour basis—if this were offset or more than offset in increased output per man, the effect would be different.

Mr. SLOGAN: Would you say then that the farmer is not getting the benefit of automation in industry because of the increase in labour costs?

Mr. GIBBINGS: I will agree that the farmer does not appear to be getting the benefits of increased automation. To be specific as to which of the three factors that were outlined in additional cost, on which you want to lay the most blame, I have not examined this closely enough to distinguish it.

Mr. SLOGAN: Conversely, in your statistics you take the cost of a combine in terms of bushels of wheat. You have not taken into consideration the increased productivity of the land, due to better seed, fertilizers, and so on.

Mr. HORNER (*Acadia*): On page 25, the brief states that farmers are borrowing money to purchase machinery and suggests that nearly 16 per cent are doing it through credit unions, that 60 per cent use the bank, and that 6.4 per cent use finance companies. I wish to lay the emphasis there. Then it says that 1.6 get the money from family sources and 5.21 from other sources.

Recently a member of parliament made a statement in the house that 75 per cent of farm machinery purchases were purchased through finance companies. This survey which you carried out does not seem to substantiate that at all. Do you agree?

Mr. GIBBINGS: I do not know how you would expect me to comment on the statements made in the House of Commons. It is a question of semantics I suppose. I do not know what he meant. He may have been thinking of credit unions and banks.

Mr. HORNER (*Acadia*): He was thinking about finance companies, because I happened to be there and was listening closely to him.

Mr. GIBBINGS: My only comment is that in that case the sample we have selected is unrepresentative.

Mr. HORNER (*Acadia*): Your sample certainly does not verify his remarks.

Mr. GIBBINGS: It does not.

Mr. HORNER (*Acadia*): At page 27 in the brief you discuss the question that more farmers are purchasing second-hand machinery in place of new machinery. In fact, this is a kind of conclusion from the preceding pages. Can this be because of relatively good prices? I am looking at it from the farmer's point of view. Is some second-hand farm machinery selling at good prices, in comparison to new machinery?

Mr. GIBBINGS: Yes, I think this is a factor. The farmer, in the light of his economic situation, weighs up whether or not he should buy second-hand or new machinery. Our belief is that at present, in the light again of the economic situation, more of them are deciding it is to their advantage to buy second-hand machinery.

Mr. HORNER (*Acadia*): It is not true right down the line? I know it is true in Alberta. If there is a lot of second-hand machinery on the market, and this tends to decrease the price of the used machinery, the farmer is standing up good buys for farm machinery. Because of better knowledge and better training and because he is more equipped to handle second-hand machinery, I think it was substantiated in your brief that these people who have mechanical training like to purchase second-hand machinery.

There is a further question. At page 32 you say that one-fifth of the sample farmers have technical training in machine shop or motor mechanics. This has increased over the years. Do you agree? In the last five or ten years, the trend is increasing sharply. Do you not agree?

Mr. GIBBINGS: It would only be a "guesstimate".

Mr. HORNER (*Acadia*): It is only a general statement. I realize that.

Mr. GIBBINGS: I have no statistics to influence any judgment I might make on that, but by and large I think you are right. Farmers are recognizing the need for specialized types of training, including machine shop and repair training.

Mr. SOUTHAM: I should like to make an observation on that. I think Mr. Horner has brought out an important point in your brief. I think the leaders in the farm industry, the farm groups themselves and representatives of farmers could encourage this trend on the part of younger farmers to make use of the slack months in the year to take courses in universities or schools in technology and machine shop work. This is very important and we hope it will have an effect in cutting down the overhead costs of farm operations.

Mr. GIBBINGS: I agree with that.

Mr. HORNER (*Acadia*): I notice on page 32 you suggest that 66 per cent of the farmers with training have welding equipment, and 42 per cent without training have welding equipment, and that the use of this is increasing with technical training. With the increasing use of welding equipment and better equipped shops, there would naturally be a tendency to slow up on the purchase of new equipment. Do you agree with this? It would follow, I think.

Mr. GIBBINGS: Yes, I think that is a sound conclusion to arrive at. Welding equipment on modern farms is almost a necessity, due to the changing methods of manufacture. As you know, the frames of the machines and some other components are spot-welded at the time of manufacture. If you should break a frame, it is no longer possible to take the piece off and bring it away for welding; you have to weld it where it is, or take the whole machine to the welder. As a result, many farmers have found it necessary to provide themselves with welding equipment and, therefore, they are taking up technical training.

Mr. HORNER (*Acadia*): Do you not agree that the trend towards steel equipment, rather than cast iron, has brought about the improvement, as far as the farmers are concerned? When these cast iron pieces broke, you could not even weld them, whereas today, machinery made of iron and welded together is much easier to repair and can be repaired and at much cheaper cost than with the heavy cast iron units one used to see many years ago. Do you agree it has been an improvement from that point of view?

Mr. GIBBINGS: Yes I do, and I think theoretically at least it ought to reduce the cost of manufacture.

Mr. HORNER (*Acadia*): And to reduce the cost of the farmers' operations to some extent?

Mr. GIBBINGS: Yes.

Mr. MILLIGAN: I would like to deal with the increase in the cost of labour. I agree it is pretty high, but in that brief we received from John Deere Limited, and which I have been looking over again since we met, I noted that they paid 11.1 per cent in income tax, and they also made a profit of 11 per cent. That was on a wholesale price. So that would be 21.1 per cent of a profit before it ever went to the distributor. Then, the proposed markup of the distributor was 20 per cent. There is 42 per cent above the cost of that machine in labour and materials, added, on before it went to the farmer. Do you think that markup is too high? Do you think they could reduce their markup so that if their markup were lower, they would not pay quite so much in income tax and their profit would not be quite so high. Do you think that is out of line, or if not have you got any argument that labour costs are too high? These figures set out the income tax, the profits to the manufacturer, and then the distribution profit on top of that.

Mr. GIBBINGS: I do not feel that anyone would be justified in blaming labour for all of the increased costs of farm machinery and repairs. If I might make this general statement, I feel that there is a great need in Canada and on the North American continent, not only in the manufacture of farm machinery, but in the manufacture of all other things, for a more statesmanlike attitude on the part of both labour and management. This is especially so with respect to the effect of increasing administrative prices, or any other way as far as the manufacturer is concerned, or as far as labour is concerned, on the over-all price of the product, and its effect on our competitive position on a world-wide basis.

In 1957 when I was in the United Kingdom I was impressed by the statements which were made by some labour leaders there. They seemed to recognize—and were prepared to state so—that the greatest type of security

they could have was to be employed in an industry which was sound, in a sound economy. The United Kingdom, of course, has lived on bringing in raw materials and processing them and exporting manufactured products, to a much greater extent than we have in Canada, or they have on the North American continent. Consequently, it is probably understandable that they would take up that attitude to a greater extent than we have here. In the light of the changes which have taken place in world trade, the changes which have taken place in the re-emerging nations, if you like—those devastated during the war and now re-equipping themselves and competing on international markets—we in the North American continent must recognize that if we are to stay in international trade—and this is vital to us—we must do as others do and become as competitive on the international markets as is possible. This is impossible if we continue to increase the price of the products we have to sell, at a greater speed than our competitors are increasing their prices.

Mr. SOUTHAM: That is a statement I agree with. I have made the same statement myself on a number of occasions after studying this in the United Kingdom, to which Mr. Gibbings has referred.

Mr. MILLIGAN: During the week I had an opportunity of looking at a baler, and an accessory to that baler is a bale thrower. It is a little bit of machinery with a 2 horsepower motor to go on the back, with some 12 inch belting and two inch pulleys, and that is \$550. It is completely out of line with the cost of it. Another thing we use extensively in Ontario is the hay crusher, which has steel rollers, with steel bearings, with wheels under it and power take-off. It costs over \$800. Those prices are quite out of line with the cost of production. I do not know how we are going to get the companies down on those things as they are specialized equipment, but I think they are taking advantage of the purchaser on some of those particular articles.

Mr. FANE: Mr. Chairman, first I would like to say for myself that I personally very much appreciate Mr. Gibbings' brief and his way of handling his answers, and the brief; and speaking of the C.C.I.L. I think I understand from Mr. Gibbings that dealing with the C.C.I.L. co-operative, and buying machinery is an ideal way to do it. I think I could string along with him on that.

Mr. Gibbings was having trouble understanding why the C.C.I.L. was only selling 2 per cent of farm machinery to farmers in western Canada. Now, to establish why that is so, I would like to ask Mr. Gibbings a series of questions. First, when the C.C.I.L. was started about 14 or 15 years ago, they made a deal with the Cockshutt people, and there were a great many farmers at that time who did not like Cockshutt machinery. That may be one of the troubles. Do you think, Mr. Gibbings, that is the case? Why have they not purchased machines from C.C.I.L.? Another party has given an answer to that one.

Mr. GIBBINGS: It is a matter of opinion. I do not know the total share of the market that Cockshutt has, either through their dealerships or through the C.C.I.L. But my feeling is that they do not command a large share of the market, and that it is probably an indication that the producers do not look with favour on their machinery or on their type of service. These are contributing factors.

Mr. FANE: Yes. Again, it might have been different had C.C.I.L. been able to get some other company to make a deal with them, such as International. But in pretty nearly every small town there is a Cockshutt dealer. And in speaking about the area in which I live, the Cockshutt people have picked out to be their dealer perhaps one of the most popular men there. That would be another factor. If Cockshutt were selling machinery, they would not be selling it through the C.C.I.L.

Mr. GIBBINGS: That is another contributing factor.

Mr. FANE: Yes; and then, C.C.I.L. does not have local dealers too. From where I live, Edmonton is the closest place where we can get repairs, and the distance is 60 miles away. Our towns do not stock repair parts. So that is probably another contributing factor. Now, with other machine companies, they have to pick the most popular man they can get in the area. But they are on the spot, as somebody said. They are willing to be on duty themselves, personally, not their help, 24 hours of the day, when the farmers are busy. And, as I said, we all appreciate the fact that the co-operative way should be the ideal way of doing it. But most farmers are very close friends with their dealers, or with some other agency.

Mr. GIBBINGS: Yes, that is another contributing factor.

Mr. FANE: Yes. I received something like 150 replies to the questionnaires which I sent out to various people connected with farming, in some way or another; and I might say that those replies were very closely parallel to the results of your brief here, very close indeed. I think, Mr. Chairman, having established that, that will be all for me. Thank you.

Mr. GUNDLOCK: I am still on my one question. Previously, you said, Mr. Gibbings, or rather you agreed that the cost per horsepower had not risen or had only very slightly risen; but a moment ago you said that the farmer did not have the benefit of automation. In view of all the facts, that several costs have risen, such as transportation, materials, labour, and several others, as the brief mentioned, how can you substantiate the statement that the farmers have not benefited by way of automation? Certainly I think they must have benefited by automation, otherwise that cost factor would not have remained as constant as it has.

Mr. GIBBINGS: This is really quite a difficult thing, because you would be dealing with entirely different circumstances. I was thinking in terms of the advice which farmers receive occasionally, that they should be able, because of the fact that they are using more, and better, and more modern equipment and so on—that they should be able to produce at a lower price. But this has not appeared to be the case with respect to other manufacturers and other producers. And I think almost universally where man has been replaced by machines, the price of the product has gone up during the past ten years, rather than down. And when I say “benefit” there, I am thinking in terms of a reduced price for farm machines as a result of automation; yet the reverse has taken place. To make it more precise, I think you would have to know what the cost would be if automation had not taken place. But as a general statement, I think you would agree that automation has not reduced the price of farm machinery to the producer.

Mr. GUNDLOCK: I am not trying to be ambiguous, but we are listening to both sides of the questions, and we are going to try to come up with some conclusion. You said a moment ago that you thought that farmers had not benefited from automation. We heard in one case of rising costs which have been encountered by automation. In view of that fact, suppose automation had not taken place, and transportation, labour, and material prices, plus anything you care to mention, had kept on rising, certainly would you not admit that the farmers have not benefited by automation?

Mr. GIBBINGS: Well, they have not benefited to the extent of lower prices for farm machinery. That really is the context in which I made the statement.

Mr. GUNDLOCK: That is not the question. You admitted a while ago that there were certain factors and that the prices had risen very little, if any, in some cases, and only slightly in other cases. I am only trying to clarify that one point right now. Have you not admitted previously that what the machine companies said in effect was true?

Mr. GIBBINGS: I said I was prepared to accept it as a fact because I had not made an examination of the factors involved.

Mr. GUNDLOCK: Now you say that we have not benefited by automation.

Mr. GIBBINGS: Well, of course, it is a matter of opinion. You appear to hold the opinion that the farmer has benefited from automation. I was stressing his being benefited by having reduced prices. I do not think that if we sat here and dealt with this for the rest of the day, without having precise information before us, that we could make a scientific investigation of the thing. Neither you nor I is likely to rush into an argument.

Mr. GUNDLOCK: I am not trying to start an argument at all.

Mr. GIBBINGS: I am sorry if I referred to it in that way.

Mr. GUNDLOCK: There is just that one point of benefiting from automation.

Mr. MUIR (*Lisgar*): Since we are dealing with the cost of farm machinery, I am going to take you to section 3 of your summary of recommendations, where you recommend that the major companies improve their manuals and offer farmers improved technical training in farm workshop techniques. I think it is generally recognized that these manuals set out the proper operation of the machines, and are not concerned so much with the repairing of the machines.

Mr. GIBBINGS: Precisely.

Mr. MUIR (*Lisgar*): If they were to do what you suggest, would not that be additional expense to the companies? Do you think it would have any great advantage? Certainly you would have a much larger manual which probably 75 per cent of the farmers would not use at all. Do you not think the manuals are really for the proper operation of the machines?

Mr. GIBBINGS: That is all they are really designed to do. I would agree with that, but the farmers in answering the questionnaire we sent out, said they believed it would be to their advantage in overhauling and repairing farm machinery and equipment if they had a manual that was more descriptive.

Mr. MUIR (*Lisgar*): Would it not be better to have a supplementary manual, that the individual farmer could buy for a couple of dollars?

Mr. HORNER (*Acadia*): Now you are increasing costs.

Mr. MUIR (*Lisgar*): You are increasing costs anyway if they put out a larger manual. The machine companies will have to make up the cost of that somewhere.

Mr. GIBBINGS: If there were a supplementary manual for those who wanted it, it might be better. They could pay for it themselves.

Mr. MUIR (*Lisgar*): They would pay for it anyway.

The CHAIRMAN: I believe Mr. Horner wishes to speak and may I suggest that after he has spoken the debate shall close. Is that agreeable?

Some Hon. MEMBERS: Agreed.

Mr. HORNER (*Acadia*): I was interested in some of the criticisms of machine companies that were suggested by the farmers and I notice, according to page 42, they suggested that perhaps cooperatives should go into the manufacturing business. I believe I have dealt with this previously.

Mr. GIBBINGS: Yes.

Mr. HORNER (*Acadia*): Then I shall go on to page 43. You suggest that most companies come out with an increasing number of new devices. I asked the John Deere people, in particular, if they were the sole manufacturer of implements how many new models would they produce, or what number of their present models they would reduce. They said they would not reduce the number of models anyway, because the farmers were the people who were requesting new models.

In answer to Mr. Forbes, I believe you said there were 75 different types of tractors made in Saskatchewan at the time you sent out your questionnaire. Now, do you think that the farmer who has a two-plow operation would want to buy a five plow tractor or a four plow tractor? Would he not want to buy the machine which suits his own purposes?

Mr. GIBBINGS: Yes.

Mr. HORNER (*Acadia*): If I preferred diesel fuel rather than gas, or vice versa, should I not have the choice as to the type of tractor I purchase? It may be that in my locality diesel fuel might be more advantageous.

Mr. GIBBINGS: This is substantially what I said earlier, that the farm machinery companies appear to be sensitive to the requests of consumers. I am not sure, however, that all of the model changes and all the sizes put on the market are necessary, or that they have been requested. We see a great number of changes.

Mr. HORNER (*Acadia*): If I may, I shall draw your attention to a particular machine. Massey-Harris took over what was formerly known as the Minneapolis Molene G.B., and now it is known as Massey-Ferguson number 995. When they first took over these tractors—

Mr. GIBBINGS: They took over the engine.

Mr. HORNER (*Acadia*): No, they took over the tractors as a whole, improved them, painted them red, and sold them. When they first took over the model it had an old seat which would remind one of the type of seat on a horse-drawn plow. Also, the platform was not in the most appropriate position, and one of the dealers who appeared before this committee told me he could not sell it at all. Then, Massey Harris came out with a changed version. They put a fancy seat on it and built up the platform, and one of the dealers who was down here said he sold five of them the following spring.

Mr. GIBBINGS: I do not think there is any question that farmers do not like to have improvements on their equipment. If they did not, obviously as you have suggested, the tractors would not sell.

Mr. HORNER (*Acadia*): And this is why the machine companies are sensitive to the farmers' requests. If they were not, they would not sell their machines, and that is what was implied before this committee. Maybe they are over-sensitive, though I am not saying they are. It is very hard to hit the fine line exactly, and I am sure you will agree with me.

Mr. GIBBINGS: I do.

The CHAIRMAN: Well, gentlemen, before we adjourn I wish to thank Mr. Gibbings and Mr. Phillips, of the Saskatchewan wheat pool, who have appeared before us today. I think they have done an excellent job in condensing the opinions of the 887 farmers in the Saskatchewan area who answered their questionnaire. For the information of the witnesses, however, I might say that many of the members of this committee have sent out their own questionnaires, and they have got quite a good response. I am sure the committee will take into consideration the suggestions you have brought before us today, and I hope they will be valuable to us when we are drafting our reports.

Mr. GIBBINGS: Thank you very much, Mr. Chairman. May I say we have appreciated the opportunity of coming before you, and may I express the wish that some of the information we have submitted will be useful to the committee in its deliberations. We wish you every success, and we hope you will be successful in making recommendations to reduce the price of farm machinery to the farmers.

The CHAIRMAN: Our next meeting will be on Monday morning at 9.30 o'clock, when the Canadian labour congress will be in attendance.

APPENDIX "A"

STATEMENT OF CONSOLIDATED INCOME

MASSEY-FERGUSON LIMITED

Year ended October 31, 1960 (with comparative figures for 1959)

	1960	1959
Net sales.....	\$490,413,988	\$475,543,641
Add:		
Interest and finance charges earned, etc.....	4,308,643	3,651,307
Profit on sale of capital assets.....	764,919	203,374
	<u>\$495,487,550</u>	<u>\$479,398,322</u>
Deduct:		
Cost of goods sold.....	\$390,547,157	\$378,633,650
Marketing expenses.....	46,099,406	42,072,662
General and administrative expenses.....	15,151,683	12,745,822
Engineering expenses.....	11,692,388	8,606,011
Interest on long term debt.....	4,839,198	3,442,826
Minority interest (dividends on preferred shares of subsidiaries)....	231,028	226,825
Bank interest.....	8,799,018	4,615,688
Exchange adjustments.....	(3,014,230)	1,890,694
	<u>\$474,345,648</u>	<u>\$452,234,178</u>
Profit before income taxes and special provision.....	\$ 21,141,902	\$ 27,164,144
Income taxes.....	11,216,768	13,345,751
Tax credits (Note 3).....	(3,900,000)	(7,200,000)
Special provision for abandoned production equipment \$1,348,042, less applicable taxes.....	671,190	
Net income for the year.....	<u>\$ 13,153,944</u>	<u>\$ 21,018,393</u>

SUPPLEMENTARY INFORMATION

The following amounts were paid during the year ended October 31, 1960 to the directors, executive officers and solicitors of the Parent Company: Fees to directors not holding salaried employment \$51,915; remuneration to executive officers including directors holding salaried employment, and to the Company's solicitors \$761,236.

Depreciation, and amortization of production tooling included above amounted to \$18,761,090 in 1960 and \$12,130,775 in 1959.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Year ended October 31, 1960 (with comparative figures for 1959)

Balance at beginning of year.....	\$109,287,629	\$ 93,252,554
Add:		
Net income for the year.....	13,153,944	21,018,393
Transfers from capital surplus.....		1,680,569
	<u>\$122,441,573</u>	<u>\$115,951,516</u>
Deduct:		
Dividends on preferred shares.....	\$ 1,418,986	\$ 1,091,587
Dividends on common shares (40c. per share).....	4,836,077	4,654,002
Commission and other expenses relating to issue of 5½% preferred shares.....		918,298
	<u>\$ 6,255,063</u>	<u>\$ 6,663,887</u>
Balance at end of year.....	<u>\$116,186,510</u>	<u>\$109,287,629</u>

(See accompanying notes to financial statements)

CONSOLIDATED BALANCE SHEET

MASSEY-FERGUSON LIMITED

October 31, 1960 (with comparative figures at October 31, 1959)

ASSETS

CURRENT:

Cash.....

Receivables (less allowances and unearned interest—Note 2)

Retail notes.....

Wholesale notes and accounts.....

Other trade and sundry accounts.....

Inventories, valued at the lower of cost or market

Raw materials and work in process.....

Finished goods.....

Insurance deposits, prepaid expenses, etc.....

Total Current Assets.....

INVESTMENTS (Shares and advances):

Wholly-owned finance companies, at cost less provision for losses (Note 1).....

Associated companies, at cost.....

FIXED:

Land.....

Buildings.....

Machinery and equipment.....

Production tooling.....

Total fixed assets, at cost.....

Less accumulated depreciation and amortization.....

OTHER ASSETS AND DEFERRED CHARGES.....

Approved on behalf of the Board:

W. Eric Phillips, Director

Albert A. Thornbrough, Director

LIABILITIES

CURRENT:

Bank loans and overdrafts.....

Accounts payable and accrued charges.....

Income, sales and other taxes payable.....

Dividends payable.....

Advance payments from customers.....

Total Current Liabilities.....

DEFERRED INCOME TAXES (Note 3).....

MINORITY INTEREST (Preferred shares of subsidiaries).....

LONG TERM DEBT:

Bonds, debentures, notes and loans (Note 7):

Less instalments maturing within one year, included with accounts payable and accrued charges.....

CAPITAL AND RETAINED EARNINGS:

Authorized share capital—

500,000 preferred shares, par value \$100 each

20,000,000 common shares without nominal or par value

Outstanding (Note 4)—

Cumulative convertible preferred shares

4½% redeemable at \$104.50 (1960—9,665

5½% 1959 series—redeemable at \$105.50

(250,000 shares)

Common shares (1960—12,098,471 shares;

1959—12,075,911 shares)

Contributed surplus.....

Retained earnings (Note 5).....

1960

1959

\$ 55,339,277 \$ 71,991,529

89,832,328 79,677,988

11,691,558 14,679,319

1,564,480 1,562,434

2,533,945 2,247,041

\$154,961,588 \$170,258,261

\$ 5,135,837 \$ 852,439

\$ 3,359,945 \$ 3,359,945

\$ 98,424,992 \$100,766,263

4,775,887 3,783,451

\$ 93,649,105 \$ 96,982,812

\$ 966,500 \$ 986,000

25,000,000 25,000,000

56,987,634 56,840,994

1,785,973 1,785,973

116,186,510 109,287,629

\$200,926,617 \$193,900,596

\$458,033,092 \$465,354,553

(See accompanying notes to financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 1960

1. *Basis of Consolidation and Exchange Conversion*

The accompanying financial statements consolidate the accounts of all subsidiary companies with the exception of the two wholly-owned finance companies in North America—Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation. These companies, which began operation in September 1960, were formed to purchase instalment contracts of retail purchasers of Massey-Ferguson equipment. Full provision has been made in the accompanying statement of consolidated income for the losses incurred by these companies to October 31, 1960, such losses arising principally from the use of a cash rather than an accrual basis of accounting. A combined statement of assets and liabilities of the two finance companies is shown on page 21 of this report.

The assets, liabilities, income and expenses of United States companies are included in the consolidated statements on the basis of U.S. \$1=Can. \$1. In the case of all other companies, exchange conversion into Canadian dollars has been effected as follows: current assets and current liabilities at exchange rates prevailing at October 31; investments, fixed assets, long term liabilities and depreciation provisions on the basis of rates prevailing at date of acquisition or issue; income and expenses (other than depreciation provisions) at average exchange rates in effect during the period.

2. *Receivables*

Approximately \$26,000,000 or 16% of the 1960 notes and accounts receivable mature beyond one year. Receivables are shown net of the following provisions—

	1960		1959	
	For returns and allowances	For unearned interest	Total	Total
	\$	\$	\$	\$
Retail notes.....	320,606	258,359	578,965	3,544,515
Wholesale notes and accounts.....	10,236,685	735,773	10,972,458	10,094,139
Other trade and sundry accounts.....	290,041	134,634	424,675	326,116
	10,847,332	1,128,766	11,976,098	13,964,770

The reduction from 1959 in provisions against retail notes arises principally from the sale of North American retail contracts to wholly-owned finance companies in 1960.

3. *Income Taxes*

For income tax purposes certain of the companies claim capital allowances in excess of the depreciation provisions recorded in the accounts. The tax reductions applicable to these extra allowances are not reflected in income, but are credited instead to a "Deferred Income Taxes" account (shown separately in the balance sheet) to be brought into income in future years when the total allowances available for tax purposes are less than the depreciation provisions recorded in the accounts.

The "tax credits" shown for 1960 and 1959 in the statement of consolidated income represent the amount of tax reductions reflected in the accounts in these years by reason of the carry-forward of (a) prior years' losses and (b) prior years' provisions and write-offs charged in the accounts but not previously claimed or taken into account for tax purposes. As at October 31, 1960 certain of the companies have further loss balances available for carry-forward as well as a number of provision or write-off balances not yet claimed or taken into account for tax purposes.

4. Share Capital Changes, Stock Options and Reservation of Shares

During the year 22,560 common shares were issued for cash under employee options at \$6.50 per share and 195 $4\frac{1}{2}\%$ preferred shares were purchased for redemption. Employee options were outstanding at October 31, 1960 with respect to an additional 69,570 common shares (57,070 at \$6.50 per share and 12,500 at \$8.25 per share) exercisable at any time up to May 29, 1962. A further 17,500 unissued common shares are reserved for additional employee options and 1,577,320 unissued common shares are reserved for possible issuance upon conversion of cumulative convertible preferred shares.

5. Dividend Restrictions

The trust indentures relating to the long term debt of the Canadian company and the trust indentures and loan agreements of certain of the subsidiary companies contain certain restrictions on the payment of dividends. Under the most restrictive of these approximately \$55,000,000 of consolidated retained earnings at October 31, 1960 is not available for the payment of dividends on common shares. Of the remainder, approximately \$32,000,000 represents the unrestricted portion of profits of various subsidiary companies outside North America which have not been remitted to Canada. Transfers of earnings from such companies are generally subject to the approval of exchange control authorities, but permission to pay dividends is normally obtainable.

Dividend payments from the United Kingdom, South Africa, India, Argentina and Mexico are not subject to withholding taxes. On dividend payments from subsidiaries in other countries withholding taxes apply, but as the amount of earnings which will be transferred in the future and the rates which will be applicable at that time are not known, such taxes are reflected in consolidated earnings only at the time of actual dividend remittance.

Of consolidated retained earnings, an amount of \$46,865 is designated as a "capital surplus" under the provisions of Section 61 of the Companies Act (Canada).

6. Contingent Liabilities, Commitments, etc.

(a) Contingent liabilities in respect of bills under discount amount to approximately \$29,000,000.

(b) Capital expenditure commitments outstanding at October 31, 1960 (including an agreement to purchase all the shares of an Italian tractor manufacturing company and an undertaking to make further advances to an associated company) total approximately \$14,000,000.

(c) Pension costs (including payments to trustees on behalf of employees covered by trustee pension plans) are charged against income in the year of payment. Past service costs, in the case of trustee plans, are generally being funded over a 30 year period; the total unfunded liability for all trustee plans in effect at October 31, 1960 is estimated at approximately \$20,000,000.

7. Long Term Debt

	October 31, 1960	October 31, 1959
Massey-Ferguson Limited (Canada):		
First mortgage sinking fund 3% bonds Series "A" maturing 1966.....	\$ 6,402,000	\$ 6,560,000
3½%—5% Sinking fund debentures maturing 1967-76.....	33,500,000	34,814,000
Massey-Ferguson Inc. (U.S.A.):		
3½%—4½% Promissory notes maturing 1960-73.....	12,600,000	13,400,000
Massey-Ferguson Holdings Limited (United Kingdom):		
7% Bank loan due 1963 (interest charged at 1½% above Bank of England rediscount rate with the provision that the minimum interest rate shall not be less than 5½%).....	26,530,000	26,530,000
Massey-Ferguson (United Kingdom) Limited:		
3½%—5% Guaranteed debenture stock maturing 1972 (subject to sinking fund).....	1,679,809	1,760,789
F. Perkins Limited (United Kingdom):		
4½% First mortgage debenture stock maturing 1971 (subject to sinking fund).....	3,292,584	3,428,023
Massey-Ferguson S.A. (France):		
6½%—7% Loans maturing 1960-75.....	7,348,895	6,972,614
Massey-Ferguson G.m.b.H. (Germany):		
2½%—6% Loans maturing 1960-74.....	1,522,079	1,751,212
Massey-Ferguson (Australia) Limited:		
5½% First mortgage debenture stock maturing 1970.....	5,549,625	5,549,625
	<u>\$ 98,424,992</u>	<u>\$100,766,263</u>

Schedule A
(of Appendix A)

RETAIL NOTES OUTSTANDING — CANADA

MASSEY-FERGUSON LIMITED

April 25, 1961

	Seasonal		Monthly		Total	
	No. of Notes	Thousands of Dollars	No. of Notes	Thousands of Dollars	No. of Notes	Thousands of Dollars
		\$		\$		\$
WEST						
Manitoba, Saskatchewan,						
Alberta and B.C.....	5996	10,036	320	628	6316	10,664
EAST						
Ontario, Quebec and Maritimes	2494	3,629	907	1,133	3401	4,762

May 25, 1961.

Schedule B
(of Appendix A)

ANALYSIS OF WORLD WIDE SALES BY SOURCE OF SUPPLY

YEAR ENDED OCTOBER 31, 1960

(thousands of dollars)

North America—

Canada.....	97,960	
United States.....	96,475	194,435
United Kingdom.....		193,535
France.....		59,015
Australia.....		22,503
Germany.....		14,888
Other.....		6,038
Total.....		490,414

APPENDIX "B"

STATEMENT OF INCOME

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

For the Years Ended October 31, 1960 and 1959

	1960	1959
NET SALES		
To dealers and users in Canada.....	\$134,026,252	\$137,331,406
To International Harvester Company.....	21,313,177	11,643,378
To other affiliated companies and jobbers.....	993,558	465,519
Total.....	<u>\$156,332,987</u>	<u>\$149,440,303</u>
DEDUCT		
Cost of goods sold—NOTE 1.....	\$128,372,169	\$122,979,078
Selling and administrative expenses.....	15,753,942	15,393,854
Total.....	<u>\$144,126,111</u>	<u>\$138,372,932</u>
INCOME FROM OPERATIONS.....	<u>\$ 12,206,876</u>	<u>\$ 11,067,371</u>
OTHER INCOME CREDITS AND CHARGES		
Dividend received from subsidiary—NOTE 2.....	\$ 80,000	\$ 35,000
Interest earned.....	196,295	766,670
Interest paid.....	523,862	568,013
Charges for financing services on wholesale notes sold to subsidiary.....	2,581,340	2,058,167
Profit on sale of fixed assets (net).....	133,840	77,772
Miscellaneous (net).....	480,529	683,672
Total.....	<u>\$ 3,175,596</u>	<u>\$ 2,430,410</u>
INCOME BEFORE PROVISION FOR FEDERAL AND PROVINCIAL INCOME TAXES.....	<u>\$ 9,031,280</u>	<u>\$ 8,636,961</u>
PROVISION FOR FEDERAL AND PROVINCIAL INCOME TAXES.....	<u>4,317,850</u>	<u>4,071,000</u>
NET INCOME.....	<u><u>\$ 4,713,430</u></u>	<u><u>\$ 4,565,961</u></u>

SUMMARY OF RETAINED EARNINGS

For the Years Ended October 31, 1960 and 1959

	1960	1959
BALANCE AT BEGINNING OF YEAR.....	<u>\$ 40,542,864</u>	<u>\$ 38,776,903</u>
NET INCOME FOR THE YEAR.....	<u>4,713,430</u>	<u>4,565,961</u>
	<u>\$ 45,256,294</u>	<u>\$ 43,342,864</u>
DEDUCT CASH DIVIDENDS.....	<u>3,500,000</u>	<u>2,800,000</u>
BALANCE AT END OF YEAR.....	<u><u>\$ 41,756,294</u></u>	<u><u>\$ 40,542,864</u></u>

The notes appearing on pages 910 and 911 are an integral part of the financial statements.

STATEMENT OF FINANCIAL CONDITION, OCTOBER 31, 1960 AND 1959

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

Assets

	1960	1959
CURRENT ASSETS		
Cash.....	\$ 82,363	\$ 80,440
Demand notes receivable from subsidiary company.....	4,360,000	8,070,000
Receivables		
Trade accounts.....	\$ 6,015,095	\$ 8,182,281
Miscellaneous (including employees' accounts receivable 1960—\$1,943; 1959—\$4,188).....	379,069	567,306
	<u>\$ 6,394,164</u>	<u>\$ 8,749,587</u>
Less allowance for losses.....	270,188	463,835
	<u>\$ 6,123,976</u>	<u>\$ 8,285,752</u>
Due from affiliated companies.....	47,886	9,469
	6,171,862	8,295,224
Inventories—NOTE 1.....	42,819,267	43,440,251
Total current assets.....	<u>\$ 53,433,492</u>	<u>\$ 59,885,915</u>
INVESTMENT IN SUBSIDIARY COMPANY—AT COST—NOTE 2.....	8,000,000	7,000,000
OTHER ASSETS.....	959,992	752,803
PROPERTY		
Buildings, machinery and equipment—at cost.....	\$ 48,633,944	\$ 44,957,133
Less accumulated depreciation.....	27,562,411	25,097,696
	<u>\$ 21,071,533</u>	<u>\$ 19,859,437</u>
Land—at cost.....	1,411,040	1,411,128
Net property.....	22,482,573	21,270,565
Approved on behalf of the Board: W. B. GAY, Director L. H. KAIN, Director		
TOTAL ASSETS.....	<u><u>\$ 84,876,057</u></u>	<u><u>\$ 88,909,283</u></u>

Notes to Financial Statements October 31, 1960

NOTE 1. INVENTORIES AND COST OF GOODS SOLD. Inventories are valued at the lower of cost or market, market having been considered generally as replacement values; such replacement values with respect to finished goods and work in process include overhead based on estimated normal operating conditions.

NOTE 2. SUBSIDIARY COMPANY INVESTMENT AND EARNINGS. It is the Company's practice to include each year in its statement of income the dividends received from its subsidiary. The Company's equity in the net assets of the subsidiary as shown by the audited financial statements was in excess of the Company's investment therein by \$715,651 at October 31, 1960, being the Company's share of undistributed earnings of the subsidiary since acquisition. These undistributed earnings have not been included in the financial statements.

STATEMENT OF FINANCIAL CONDITION, OCTOBER 31, 1960 AND 1959

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

Liabilities and Equity Capital

	1960	1959
CURRENT LIABILITIES		
Bank overdraft.....	\$ 515,440	\$ 911,335
Accounts payable and sundry accruals.....	7,074,059	10,527,298
Taxes payable other than income taxes.....	547,183	873,399
Accrued income taxes.....	2,059,520	2,360,817
Notes payable—4½%—instalments due in subsequent year..	800,000	800,000
Due to affiliated companies.....	1,663,914	2,583,277
Due to subsidiary company.....	1,949,780	793,248
Total current liabilities.....	\$ 14,609,896	\$ 18,849,374
NOTES PAYABLE		
4½%—maturing March 1, 1967 (payable in equal semi-annual instalments less instalments payable prior to end of subsequent year included in current liabilities—\$800,000).....	\$ 4,400,000	\$ 5,200,000
5½%—maturing November 1, 1973 (payable in equal semi-annual instalments commencing November 1, 1967)—NOTE 3..	5,000,000	5,000,000
Total notes payable.....	9,400,000	10,200,000
PROVISION FOR EMPLOYEES' RETIREMENT BENEFITS—NOTE 4...	4,109,867	4,317,045
EQUITY CAPITAL		
Capital stock		
Authorized, issued and fully paid—		
150,000 shares of \$100 each.....	\$ 15,000,000	\$ 15,000,000
Retained earnings—NOTE 3.....	41,756,294	40,542,864
Total equity capital.....	56,756,294	55,542,864
TOTAL LIABILITIES AND EQUITY CAPITAL.....	\$ 84,876,057	\$ 88,909,283

NOTE 3. RESTRICTED RETAINED EARNINGS. Under the provisions of a loan agreement dated November 1, 1956 relating to \$5,000,000 5½% notes payable, the Company agreed not to declare or pay any dividend (other than in common stock) on any of its common shares, or to expend any money in the acquisition or redemption of any shares of its capital stock, if immediately after such action, the aggregate of all such declarations, payments and expenditures subsequent to October 31, 1955 shall exceed an amount equal to its net income accrued subsequent to that date. Of the retained earnings at October 31, 1960 approximately \$32,787,000 is restricted under the foregoing provisions.

NOTE 4. RETIREMENT PLANS. The Company has a voluntary Contributory Annuity Plan and a Non-Contributory Pension Plan providing benefits for service subsequent to December 31, 1953, both of which are fully funded through Company contributions to trustees. In addition the Company has a Non-Contributory Pension Plan, which has not been funded and which was originally established in 1908, providing benefits for service prior to January 1, 1954, and under which no further credits can be established. Based on an actuarial valuation at December 31, 1958 the estimated amount required to fund this latter plan at October 31, 1960 is \$15,313,852. In respect of this plan a provision for employees' retirement benefits as shown on the balance sheet of October 31, 1960 is \$4,109,867, which is \$11,203,985 less than the actuarially estimated liability.

The Company's total contributions for all retirement plans amounted to \$1,616,924 after a reduction of \$594,345 representing contributions withheld to absorb the surplus in the funded plans per the December 31, 1958 actuarial valuation. The total contributions of \$1,616,924 during the year ended October 31, 1960 were charged \$1,409,747 to income and \$207,177 to the provision for employees' retirement benefits.

NOTE 5. CONVERSION OF FOREIGN EXCHANGE. Current assets and liabilities of foreign origin have been converted generally at the exchange rates prevailing at the close of the Company's fiscal year. Plant and property acquired from sources outside Canada have been converted generally at rates of exchange prevailing at dates of acquisition.

NOTE 6. DEPRECIATION. Cost of sales and selling and administrative expenses include depreciation amounting to \$2,879,611 for the year ended October 31, 1960; 1959—\$3,257,023.

NOTE 7. CAPITAL COMMITMENTS. The Company had commitments for capital expenditure of approximately \$2,213,000 as at October 31, 1960.

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS FOR YEARS ENDED OCTOBER 31

	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net sales.....	156,332,987	149,440,303	119,141,084	136,069,345	153,838,002	108,718,877	92,036,768	135,318,850	140,363,657	129,605,074
Deduct:										
Cost of goods sold.....	128,372,169	122,979,078	98,188,578	112,904,422	127,980,040	90,519,225	79,860,539	116,553,613	116,596,459	108,855,064
Selling and administrative expenses.....	15,753,942	15,393,854	13,608,939	13,152,853	11,886,632	10,545,321	9,974,164	10,266,232	8,822,786	7,002,474
Total.....	144,126,111	138,372,932	111,797,517	126,057,275	139,866,672	101,064,546	89,834,703	126,819,845	125,419,245	115,857,538
Income from operations.....	12,206,876	11,067,371	7,343,567	10,012,070	13,971,330	7,654,331	2,202,065	8,499,005	14,944,412	13,747,536
Dividend from subsidiary company.....	80,000	35,000	—	—	—	—	—	—	—	—
Interest earned.....	196,295	766,670	666,026	504,058	360,898	328,430	103,367	37,583	24,576	24,970
Other credits and charges (net).....	3,451,891	3,232,080	1,489,203	1,702,272	798,417	364,360	557,790	658,291	323,091	242,203
Provision for federal and provincial income taxes.....	4,317,850	4,071,000	2,972,000	4,241,000	6,245,000	3,457,000	930,500	3,897,500	7,402,000	7,283,322
Reserve adjustments (net).....	—	—	—	—	—	—	—	—	—	2,000,000
Net income.....	4,713,430	4,565,961	3,548,390	4,572,856	7,288,811	4,161,401	817,142	3,980,797	7,243,895	4,246,951
Cash dividends.....	3,500,000	2,800,000	2,800,000	3,000,000	2,000,000	2,000,000	2,000,000	3,000,000	2,000,000	2,000,000
Net income for year retained.....	1,213,430	1,765,961	748,390	1,572,856	4,288,811	2,161,401	1,182,858	980,797	5,243,895	2,246,951

STATEMENT OF FINANCIAL CONDITIONS AS OF OCTOBER 31

	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951
ASSETS	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets										
Cash	82,363	80,440	145,742	377,182	240,740	5,328,224	389,171	449,499	6,707,802	346,005
Marketable securities	—	—	—	—	—	5,475,950	—	—	—	43,500
Demand notes receivable from subsidiary company	4,360,000	8,070,000	—	—	—	—	—	—	—	—
Receivables (net)	6,161,802	8,295,221	32,459,432	38,505,676	32,315,230	22,254,846	22,949,108	23,267,866	16,730,661	17,274,963
Inventories	42,819,267	43,440,254	28,349,481	32,448,150	31,598,191	25,460,607	30,737,111	41,475,792	33,053,991	36,744,360
Total current assets	53,433,492	59,885,915	60,954,655	71,331,008	64,154,161	58,519,627	54,075,390	65,193,157	56,492,454	54,388,828
Investment in subsidiary company	8,000,000	7,000,000	—	—	—	—	—	—	—	—
Other assets	959,992	752,803	746,362	739,085	677,105	655,145	491,661	589,116	684,774	623,498
Property (net)	22,482,573	21,270,565	21,014,872	21,336,784	17,195,258	15,056,648	14,883,676	15,682,709	14,430,883	13,022,488
Total assets	84,876,057	88,909,283	82,715,889	93,406,877	82,026,524	74,231,420	69,450,727	81,464,982	71,608,111	68,034,814
LIABILITIES AND EQUITY CAPITAL										
Current liabilities										
Long-term notes payable	14,609,896	18,849,374	13,423,129	23,862,699	18,044,768	13,541,156	10,121,874	20,153,286	11,277,308	22,947,932
Provision for employees' retirement benefits	9,400,000	10,200,000	11,000,000	11,800,000	7,600,000	8,400,000	9,200,000	10,000,000	10,000,000	—
Capital stock	4,109,867	4,317,045	4,515,857	4,715,665	4,926,099	5,123,418	5,123,408	5,123,393	5,123,297	5,123,271
Retained earnings	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Total liabilities and equity capital	41,756,294	40,542,864	38,776,903	38,028,513	36,455,657	32,166,846	30,005,445	31,188,303	30,207,506	24,963,611
Total liabilities and equity capital	84,876,057	88,909,283	82,715,889	93,406,877	82,026,524	74,231,420	69,450,727	81,464,982	71,608,111	68,034,814

STANDING COMMITTEE

STATEMENT OF FINANCIAL CONDITION, OCTOBER 31, 1960 AND 1959
INTERNATIONAL HARVESTER CREDIT CORPORATION OF CANADA, LIMITED

<i>Assets</i>		1960	1959
CURRENT ASSETS			
Cash.....	\$	40,150	\$ 10,155
Notes receivable and repossessions—NOTES 1 AND 2			
Notes receivable—Wholesale.....	\$	22,848,426	\$ 27,413,672
Retail.....		4,348,626	6,249,776
	\$	27,197,052	\$ 33,663,448
Repossessions.....		263,965	38,855
	\$	27,461,017	\$ 33,702,303
Less—Deferred discounts on wholesale notes.....	\$	524,882	\$ 796,258
Unearned interest on wholesale notes.....		28,055	28,940
Unearned finance charges on retail notes.....		459,974	721,782
Allowance for losses.....		400,693	158,453
	\$	1,413,604	\$ 1,705,433
Notes receivable and repossessions (net).....	\$	26,047,413	\$ 31,996,870
International Harvester Company of Canada, Limited (in transit items) ..	\$	1,949,780	\$ 793,248
Accounts receivable.....		—	106
Total current assets.....	\$	28,037,343	\$ 32,800,379
Total Assets.....	\$	28,037,343	\$ 32,800,379
<i>Liabilities and Equity Capital</i>			
CURRENT LIABILITIES			
Demand notes payable—bank.....	\$	14,530,000	\$ 16,810,000
Demand notes payable—International Harvester Company of Canada, Limited.....		4,360,000	8,070,000
Accounts payable.....		15,412	13,420
Dealers' reserves.....		8,137	6,275
Accrued income taxes.....		394,024	543,800
Accrued interest on notes payable.....		14,119	13,916
Total current liabilities.....	\$	19,321,692	\$ 25,457,411
EQUITY CAPITAL			
Capital stock			
Authorized—250,000 shares of \$100 each			
Issued and fully paid 1960—80,000 shares; 1959—70,000 shares—NOTE 3.	\$	8,000,000	\$ 7,000,000
Retained earnings.....		715,651	342,968
Total equity capital.....	\$	8,715,651	\$ 7,342,968
Total Liabilities and Equity Capital.....	\$	28,037,343	\$ 32,800,379

Signed on behalf of the Board: L. J. MURPHY, Director
W. B. GAY, Director*Notes to Financial Statements October 31, 1960*

NOTE 1. In accordance with the agreement between the Corporation and International Harvester Company of Canada, Limited relating to financing of notes receivable, the Corporation purchases wholesale notes of dealers and distributors from International Harvester Company of Canada, Limited at face value less 1% discount and less cash and prepayment discounts which dealers are expected to take in settlement of their notes. The 1% discount is taken into income upon settlement of the notes and the cash and prepayment discounts are taken into income when such discounts are no longer available to dealers.

In instances where the terms of wholesale notes purchased do not provide the Corporation with interest income at rates agreed upon between International Harvester Company of Canada, Limited and the Corporation, International Harvester Company of Canada, Limited pays the Corporation amounts equal to differences between interest computed at agreed upon rates and interest received from dealers.

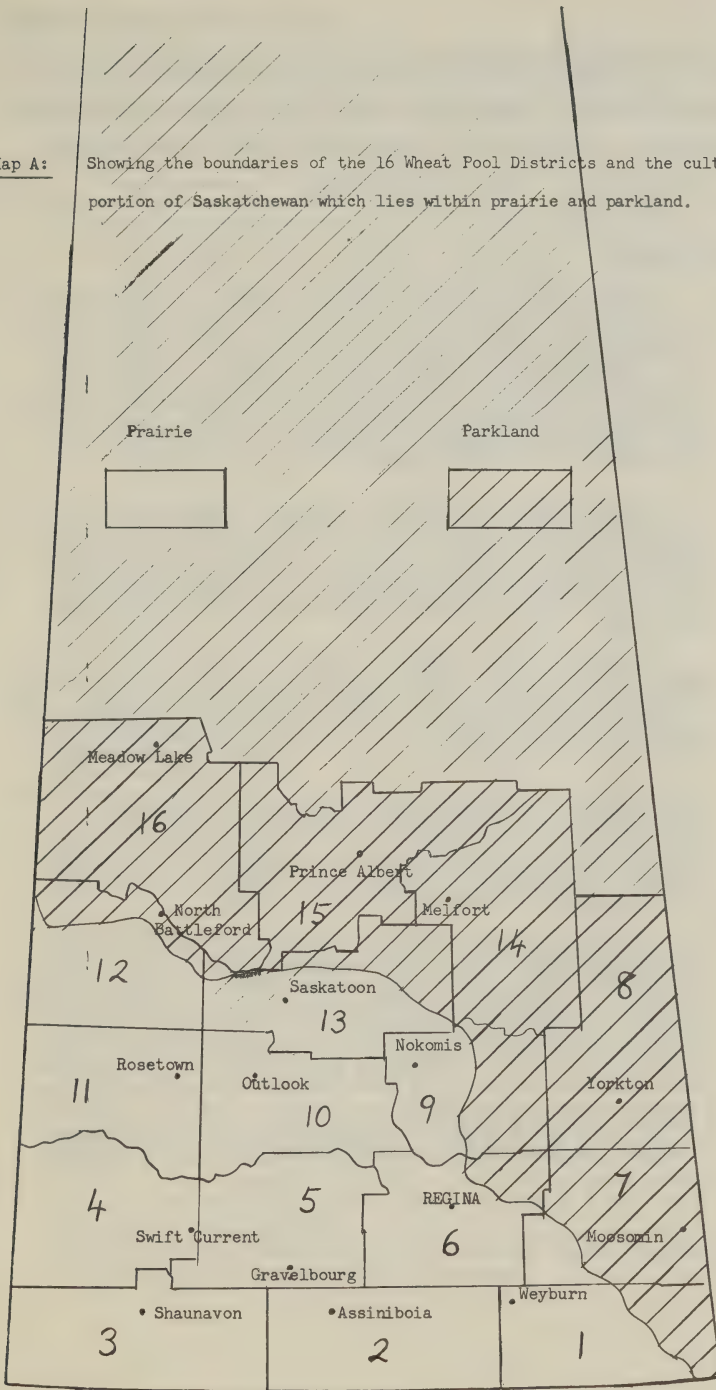
Finance charges included in the face amounts of retail contracts are taken into income over the life of the contracts. Where such finance charges are less than the Corporation's finance charges, the related contracts are acquired by the Corporation at discount rates which enable it to earn its regular finance charges, these discounts are also taken into income over the life of the contracts.

NOTE 2. At October 31, 1960, retail notes receivable include \$1,823,458 maturing after October 31, 1961, of which \$633,185 will mature after October 31, 1962, and wholesale notes included \$558,313 which will mature after October 31, 1961, of which none will mature after October 31, 1962.

NOTE 3. During the year ended October 31, 1960, 10,000 shares of capital stock were issued at par and paid for in cash.

Map A:

Showing the boundaries of the 16 Wheat Pool Districts and the cultivated portion of Saskatchewan which lies within prairie and parkland.



REPORT OF A SURVEY CONDUCTED IN 1960 BY SASKATCHEWAN WHEAT POOL INTO
CERTAIN ASPECTS OF FARMING OPERATIONS IN THE PROVINCE WITH PARTICULAR
REFERENCE TO THE ACQUISITION, MAINTENANCE AND USE OF FARM MACHINERY

AND EQUIPMENT

Introduction

Saskatchewan Wheat Pool decided to survey a group of farmers to obtain first-hand information on which to base a submission to the proposed investigation of farm machinery prices by the House of Commons' standing committee on agriculture and colonization. By the time the nature of the survey was determined the winter had arrived and winter road conditions were considered too unpredictable to accommodate a random sampling of Saskatchewan farmers. The urgency of the situation precluded waiting until spring to undertake this kind of survey.

It was decided to send questionnaires by mail to secretaries of Wheat Pool local committees. Secretaries were selected for many reasons, not the least of which was that while they may not be representative farmers they might at least respond readily. The fact that more than 80 per cent of the farmers surveyed on this basis returned usable replies indicates the wisdom of that decision.

There is a local committee at every delivery point and Saskatchewan Wheat Pool is represented at 1,090 delivery points. There is also a local committee at some 45 inland ports--communities at which there is no country elevator but where farmers have sufficient community of interest to operate a committee concerned with their grain deliveries. Farmers at these inland ports deliver their grain to Pool elevators nearby. Committees have from seven to 11 members, all farmer-members of Saskatchewan Wheat Pool. They name one of their number to be secretary whose main job is to keep the records and handle the correspondence. Secretaries receive no pay for their duties. Occasionally committees name the local elevator agent to be their secretary.

It was considered that local committee secretaries might be the best educated among committee members, might farm differently than other farmers in the community and because of their expressed interest in co-operatives might have different views on many subjects. To determine just how "different" secretaries were as farmers we attempted to sample farmers who were not even local committee members as a basis for comparison. Some differences were found but in total they do not appear to upset on any single point the value of the larger sampling as a base for determining factual detail and obtaining farmer opinions about farming practices and the acquisition, maintenance and use of farm machinery.

Method of conducting the survey

On December 2, 1960, a one-sheet questionnaire containing 32 questions was sent by mail to the 1,093 local committee secretaries on the mailing list at that date. With it went a self-addressed and stamped return envelope and a letter from the secretary of Saskatchewan Wheat Pool which said:

"We are sending this to you in your capacity as secretary of the local Wheat Pool committee because we know you will understand, through your active work in the Wheat Pool organization, the importance of our getting the best possible reply from these questionnaires. If you are a Pool elevator agent and do not operate a farm, we would appreciate it if you would ask the chairman of the committee to fill out the questionnaire. We have mailed 1,100 questionnaires, one to each committee secretary. A complete return would represent slightly more than one per cent of Saskatchewan farming population. The number is low enough when you want representative opinion, and were it to fall much below that figure, any conclusions we might wish to draw from the returns might prove unsatisfactory." 1/

On December 2, 1960, the director of the Wheat Pool's country organization sent a letter to his 16 fieldmen—one in each of the 16 Wheat Pool districts—advising them of the mailed survey and asking them to co-operate by distributing on a more random basis another 80 questionnaires to be used as a base for checking the uniqueness of returns from the larger sample. Each fieldman received five questionnaires, distinctly marked to differentiate them. Fieldmen were asked to distribute these 80 on a random basis and several methods were proposed although fieldmen were not asked to report which method they had used. In total 41 replies were received from the 80 sent for this random selection and results of these were compared with results from the larger sampling.

Subsequently the manager of the Wheat Pool's country elevator division wrote to elevator agents at all delivery points advising them of the survey and asking them to encourage local committee secretaries to complete the questionnaire and return it as soon as possible. The survey was mentioned twice on the Wheat Pool's bi-weekly radio program, each time in a brief announcement asking farmers to complete the questionnaires early. Because of the urgency of completing a submission based on these questionnaires, none received after January 4 was considered in the analysis. However, questionnaires continued to arrive for weeks after that date and 15 from the sample and one from the random selection had to be rejected because they arrived late. A few more were returned with some of the vital questions unanswered and these also were rejected.

By December 6 the first returns began to arrive and they continued with regular frequency for a month. In total, 887 replies of use to the survey were received and used in the analysis. This accounts for 81.15 per cent of the total questionnaires distributed and constitutes an unusually high return for a mailed questionnaire.

1/ The full text of this and other letters sent during the survey may be found in an appendix to this report

The questionnaire was designed to ask questions that could be answered simply without a farmer's detailed reference to records which might not be readily available. Because of this limitation some questions which might have helped the survey were omitted. The questions were also posed in a manner to provide ease in counting and tabulating the results.

The 32 questions were designed by our research analyst who also conducted the analysis. The first count of the 887 questionnaires took four girls from our head office staff about one month. Later two girls were engaged to count returns from question 24 which asked about farm machinery inventories. Throughout the analysis the country elevator division assisted greatly by making available comptometer operators for computation of figures required for the tables.

Validity of Sample

It was recognized that committee secretaries might be different because they are committee secretaries and that any farmer approached for survey information by anyone from Saskatchewan Wheat Pool might also be different because he would likely be a Wheat Pool member. The comparison of the sampling and the random selection, contained in the following pages, indicates that local committee secretaries as farmers are, in fact, not all that different from farmers in general. Any difference based on Wheat Pool membership has little validity because more than 80 per cent of all farmers in this province are in fact Wheat Pool members. The provincial government estimates at 97,000 the total number of farms in the province in 1960. In the crop-year ended July 31, 1960, a total of 77,500 individual farmers were listed as members of Saskatchewan Wheat Pool and eligible for excess charges refunds based on their grain and livestock deliveries. This being so it would appear impossible for any survey among Saskatchewan farmers on any basis to avoid including in its returns a very high percentage of Wheat Pool members.

From this we have assumed that information determined from replies to the questionnaire is of considerable use to the preparation of a submission to this parliamentary committee and has not been rendered peculiar merely because most of the farmers questioned were either Wheat Pool members or secretaries of local committees.

The questionnaire was prefaced with the following:

QUESTIONNAIRE ON FARM MACHINERY

THIS QUESTIONNAIRE IS DESIGNED TO GIVE SASKATCHEWAN WHEAT POOL INFORMATION ON WHICH TO BASE A SUBMISSION TO THE HOUSE OF COMMONS' STANDING COMMITTEE ON AGRICULTURE WHICH WILL HOLD PUBLIC HEARINGS EARLY IN 1961 TO INVESTIGATE THE FARM MACHINERY SITUATION. PLEASE ANSWER ALL QUESTIONS FULLY AND FRANKLY. NO ATTEMPT WILL BE MADE TO IDENTIFY YOU WITH ANY OF YOUR REPLIES AND THEY WILL BE KEPT IN CONFIDENCE.

<p>MOST QUESTIONS MAY BE ANSWERED SIMPLY BY MAKING A <input checked="" type="checkbox"/> MARK IN <u>ONE</u> OF THE SQUARES PROVIDED AFTER EACH QUESTION. PLEASE ANSWER <u>ALL</u> QUESTIONS. QUESTIONS 23, 28, 31 and 32 PROVIDE SPACE FOR YOU TO EXPRESS YOUR OPINION ABOUT CERTAIN MATTERS. DO NOT HESITATE TO GIVE US YOUR FULLEST VIEW.</p>

1. Distribution of replies

Question 1: Location of your farm: Wheat Pool district ☐ Sub-district ☐

Total replies were received from 887 sample farmers and from 41 in the random selection on the following basis by Wheat Pool districts. The farmer's name did not appear on the replies.

Table 1A: Comparison of sample and random selection as to distribution of replies

<u>Wheat Pool District</u>	<u>Sample</u>	<u>Random selection</u>
1	50	2
2	40	2
3	34	-
4	34	1
5	47	-
6	66	-
7	60	4
8	46	3
9	51	2
10	51	4
11	65	2
12	55	4
13	70	1
14	60	5
15	44	2
16	56	4
<u>Unidentified</u>	<u>58</u>	<u>5</u>
Totals	887	41

The unidentified are farmers who declined to give their Wheat Pool district, the only identifying mark on the questionnaire. These replies were considered in the totals of 887 and 41 when all other pertinent questions were answered.

2. Distribution of land size

Question 2: Size of your farm (in quarter sections): ☐ quarters.

The 887 replies to this question indicate that more than 70 per cent of the sample and the random selection operate farms between two and six quarter sections in size with the greatest concentration of both on land holdings of four quarters. More than 21 per cent of the sample and nearly 30 per cent of the random selection operate farms of four quarters in size.

Table 2A: Comparison of sample and random selection as to farm size

<u>Size in quarters</u>	<u>Sample</u>		<u>Random selection</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
1Q	18	2.0	1	2.4
2Q	110	12.4	5	12.2
3Q	126	14.2	8	19.5
4Q	192	21.7	12	29.3
5Q	114	12.9	3	7.3
6Q	97	10.9	3	7.3
7Q	63	7.1	3	7.3
8Q	57	6.4	2	4.9
9Q	31	3.5	1	2.4
10Q	11	1.3	-	-
11Q	19	2.1	-	-
12Q	17	1.9	-	-
<u>Over 12Q</u>	<u>32</u>	<u>3.6</u>	<u>2</u>	<u>7.4</u>
<u>Over 8Q</u>	<u>110</u>	<u>12.4</u>	<u>4</u>	<u>9.8</u>
Totals	887	100.0	41	100.0

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(In Table 2A replies from farmers on 9Q, 10Q, 11Q, 12Q and over 12Q are all grouped in the category "over 8Q" for all other questions but are shown here separately to indicate the distribution of these 110 larger farmers).

3. Type of farming operation

Question 3: Kind of farming operation: All grain ☐; all livestock ☐; mixed ☐.

The 880 replies indicate that more than 80 per cent of the sample consider themselves mixed farmers. Of the random selection just under 80 per cent consider themselves mixed farmers.

Table 3A: Comparison of sample and random selection as to type of farming

<u>Total replies</u>	<u>All grain</u>	<u>All livestock</u>	<u>Mixed</u>
Sample 880	19.32%	0.45%	80.23%
Random 41	21.9	-	78.1

The replies to questions 1, 2 and 3 compiled in one table provide a ready reference to the distribution of the sample farmers among Wheat Pool district, size of farms and type of farming operation. (see Table 3B on page 5)

Table 3B: Distribution of sample as to Wheat Pool district, farm size and type of farming

Wheat Pool Farm		Farm size in quarter sections													Totals
Dist.	type	1Q	2Q	3Q	4Q	5Q	6Q	7Q	8Q	9Q	10Q	11Q	12Q	Over 12Q	
1	Grain	-	-	-	2	-	-	-	1	-	-	-	-	1	4
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	1	3	8	11	2	7	3	4	5	-	-	1	1	46 50
2	Grain	-	1	1	2	1	-	-	-	-	-	-	-	-	5
	Lvstk	-	-	-	-	1	-	-	-	-	-	-	-	-	1
	Mixed	1	1	4	7	6	9	2	2	1	-	-	-	1	34 40
3	Grain	-	1	-	-	1	2	-	1	-	-	-	-	1	6
	Lvstk	-	-	-	-	-	1	-	-	-	-	-	-	-	1
	Mixed	1	1	1	5	1	4	2	2	2	-	2	1	5	27 34
4	Grain	-	2	2	-	1	-	-	2	-	-	-	-	-	7
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	-	1	3	6	3	4	2	2	-	-	2	1	3	27 34
5	Grain	-	1	1	1	2	-	1	-	-	-	-	-	-	6
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	-	1	2	7	6	2	6	3	2	3	3	1	5	41 47
6	Grain	-	4	5	3	2	3	1	-	-	1	-	-	1	20
	Lvstk	-	1	-	1	-	-	-	-	-	-	-	-	-	2
	Mixed	3	1	4	8	9	2	6	5	1	1	1	2	-	43 65
7	Grain	1	1	4	3	3	-	-	-	-	-	-	-	-	12
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	-	2	11	13	10	2	3	4	-	1	1	1	-	48 60
8	Grain	-	1	-	2	-	1	-	-	-	-	-	-	-	4
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	1	10	13	10	4	3	-	1	-	-	-	-	-	41 45
9	Grain	-	2	-	-	-	-	-	-	-	-	-	1	-	3
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	2	8	12	11	2	7	1	2	2	-	-	-	-	48 51
10	Grain	-	2	-	1	4	3	1	-	1	-	1	2	-	15
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	-	5	1	7	4	5	4	3	4	-	-	1	1	35 50
11	Grain	1	2	2	7	4	3	3	1	2	-	1	2	-	29
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	-	-	1	7	9	4	6	3	2	-	2	-	1	35 64
12	Grain	-	-	1	3	1	-	-	1	-	-	1	-	-	7
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	3	3	3	10	4	6	4	3	3	2	1	1	5	48 55
13	Grain	-	3	3	3	1	-	-	1	-	-	1	-	-	12
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	-	13	4	12	8	8	6	3	1	1	2	-	-	57 69
14	Grain	-	3	4	1	2	-	-	1	-	-	-	-	-	11
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	2	8	14	14	3	1	4	1	1	-	-	-	1	49 60
15	Grain	-	-	1	3	1	-	-	-	-	-	1	-	-	6
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	1	13	5	7	1	4	2	3	2	-	-	-	-	37 43
16	Grain	-	3	1	1	-	-	-	1	-	1	-	-	-	7
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	-	8	9	14	8	5	-	2	1	1	-	1	-	49 56
Unit- dist- ried	Grain	-	1	3	1	4	3	1	2	-	-	-	-	1	16
	Lvstk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mixed	1	4	3	8	6	7	4	4	1	-	-	1	3	41 57
T (Grain-No.		2	27	28	33	27	15	7	10	4	2	4	6	5	170
Q (%		1.2	19.9	16.5	19.4	15.9	8.8	4.1	5.8	2.4	1.2	2.4	3.5	2.9	19.32
T (Lvstk-No.		-	1	-	1	1	1	-	-	-	-	-	-	-	4
A (%		-	25	-	25	25	25	-	-	-	-	-	-	-	.45
L (Mixed-No.		16	79	97	157	86	80	55	47	28	9	14	11	27	706
S (%		2.2	11.2	13.7	22.2	12.2	11.2	7.9	6.6	3.9	1.2	1.9	1.5	3.8	80.23
Grand		No.18	107	125	191	114	96	62	57	32	11	18	17	32	880
Totals		%	2.0	12.1	14.2	21.7	12.9	10.9	7.1	6.4	3.6	1.2	2.0	1.9	100

4. Type of land tenancy

Question 4: Your land holding: entirely owned ☐; entirely rented ☐;
partly owned-rented ☐.

The 878 replies indicate that more than half of the sample operate their land on an owner-renter basis, 40% own all of their land and 6.7% rent all of their land. The 41 replies from the random selection show a marked difference in land tenancy: one-third of these farmers operate on an owner-renter basis, just over half entirely own their land, and about 12% rent all of their land. The 1956 inter-census report indicated land tenancy distributed on about the same basis as the 1960 random selection with 52.4% of 103,391 farmers then owning all their land, 13% renting it all, and 33.9% operating on an owner-renter basis. Fewer than one per cent of farms in 1956 were operated by managers. While the 1960 sample may show too high a percentage of farmers with owner-renter tenancy it is generally understood that the move in the years since 1956 to increase land holding by renting additional land would have changed the total picture more than the results of the random selection indicate.

Table 4A: Comparison of sample and random selection with 1956 inter-census report as to land tenancy

	<u>Entirely owned</u>	<u>Entirely rented</u>	<u>Owner-renter</u>
Sample 878	40.1%	6.7%	53.2%
Random 41	53.7	12.2	34.1
1956 census report 103,391	52.4	13.0	33.9

There is a definite relationship between land size and the kind of land tenancy. In general, more smaller farmers own more of their land than either rent it or operate it on an owner-renter basis and more larger farmers operate on the owner-renter basis. A conclusion which may be drawn from the tabulations in Table 4B is that the move by the middle-sized and larger farmers to become even larger is directing them towards renting additional land, accounting for the higher portion of the larger farmers who hold land tenancy on an owner-renter basis. It suggests that the smaller farmers who own their land are less able to rent additional land.

Table 4B: Relationship of land tenancy to farm size

<u>Total reporting by quarters</u>	<u>Entirely owned</u>	<u>Entirely rented</u>	<u>Owner-renter</u>
1 16	81.25%	12.50%	6.25%
2 110	64.55	13.64	21.81
3 126	52.38	5.56	42.06
4 190	38.95	8.42	52.63
5 113	38.94	6.19	54.87
6 96	28.13	3.12	68.75
7 61	32.79	-	67.21
8 57	21.05	5.26	73.69
<u>Over 8 109</u>	<u>22.94</u>	<u>5.50</u>	<u>71.56</u>
Totals 878	40.1 %	6.7 %	53.2 %

Tabulations in Table 4C and for most subsequent questions are shown to provide for directors, staff and farmers in each of the 16 districts a ready picture of how their district relates to the average for the province as a whole. The "unidentified" shown in column one of this table are those farmers who declined to name their Wheat Pool district when they answered the questionnaire.

Table 4C shows above average incidence of land ownership in nine districts (2, 3, 4, 5, 7, 8, 14, 15 and 16) and above the average for the

owner-renter tenancy in seven districts (6, 9, 10, 11, 12, 13 and 14). District 14 is unique in having higher than average percentage of farms owned by the operators and a higher than average percentage of farms operated on an owner-renter basis. The only district with a relatively high rental situation is District 1 where 18% of all sample farmers rent all of their land holdings.

Table 4C: Distribution of land tenancy by Wheat Pool district

Total reporting by districts		Entirely owned	Entirely rented	Owner-renter
1	50	34.00%	18.00%	48.00%
2	40	47.50	2.50	50.00
3	34	47.06	2.94	50.00
4	35	54.29	8.57	37.14
5	44	40.91	9.09	50.00
6	65	26.15	6.15	67.70
7	60	46.67	3.33	50.00
8	45	48.89	4.44	46.67
9	50	38.00	8.00	54.00
10	51	31.37	9.80	58.83
11	62	33.87	8.06	58.07
12	54	38.89	5.56	55.55
13	70	35.71	4.29	60.00
14	60	43.33	1.67	55.00
15	44	56.82	4.55	38.63
16	56	42.86	8.93	48.21
Unidentified	58	32.76	8.62	58.62
Totals	878	40.1 %	6.7 %	53.2 %

5. Land under Purchase

Question 5: If under purchase, payments still being made: Yes ☐; No ☐.

Some 367 farmers of the total sample are still making payments on land under purchase. This is 41.3% of the total. Of farmers in the random selection, 13 or 31.7% of the 41 farmers are still paying for land under purchase.

Table 5A: Comparison of sample and random selection as to land still under purchase.

	Still making payments
Sample - 887	41.4%
Random - 41	31.7%

Farmers who operate four quarters or more appear to be buying more land than the farmers who operate smaller holdings, indicating it is the bigger farmers who are moving to expand their land holding still further.

Table 5B: Relationship of land under purchase to farm size

Total reporting by quarters		Farmers still making payments	Percentage
1	18	3	16.67
2	110	34	30.91
3	126	46	36.51
4	192	80	41.67
5	114	52	45.61
6	97	47	48.45
7	63	29	46.03
8	57	24	42.11
Over 8	110	52	47.27
Totals	887	367	41.3

STANDING COMMITTEE

Farmers in seven districts (2, 5, 9, 10, 11, 12 and 15) appear to be buying more land still under purchase than the average for all of the sample. Half or more of the farmers in Districts 2, 11, 12 and 15 are still making payments for land under purchase.

Table 5C: Distribution of land under purchase by Wheat Pool district

Total reporting in districts	Farmers still making payments	Percentage
1 50	20	40.0
2 40	20	50.0
3 34	9	26.47
4 34	11	32.35
5 47	22	46.81
6 66	23	34.85
7 60	14	23.33
8 46	17	36.96
9 51	23	45.10
10 51	24	47.06
11 65	35	53.85
12 55	28	50.91
13 70	22	31.43
14 60	26	43.33
15 44	20	45.45
16 56	30	53.97
Unidentified 58	23	39.66
Totals 887	367	41.3

6. Farming experience

Question 6: Your farming experience: under 5 yrs. ☐; 5-10 yrs. ☐; 11-20 yrs. ☐; 21-30 yrs. ☐; 31-40 yrs. ☐; over 40 yrs. ☐.

The 882 replies indicate that two-thirds of the sample have between 11 and 30 years of farming experience. Few have less than five years of experience while about seven per cent have 40 years or more. Among farmers in the random selection there are more with less than five years of experience and more with over 30 years of experience.

Table 6A: Comparison of sample and random selection as to farming experience.

No. of farmers	Under 5 yrs.	5-10 yrs.	11-20 yrs.	21-30 yrs.	31-40 yrs.	Over 40 yrs.
Sample 882	.7%	9.6%	38.2%	30.4%	14.3%	6.8%
Random 41	2.5	2.5	40.0	17.5	30.0	7.5

Figures in Table 6B show little relationship between the experience factor and farm size.

Table 6B: Relationship of years of farming experience factor to farm size

Total reporting by quarters	Under 5 yrs.	5-10 yrs.	11-20 yrs.	21-30 yrs.	31-40 yrs.	Over 40 yrs.
1 18	-	-	44.45 %	33.33 %	16.67 %	5.55 %
2 109	.92 %	11.93 %	29.36	30.28	16.51	11.00
3 126	-	11.11	35.71	32.54	15.08	5.56
4 193	-	8.29	40.93	26.94	17.10	6.74
5 113	2.66	10.62	34.51	34.51	11.50	6.20
6 95	-	8.42	46.32	29.47	8.42	7.37
7 63	1.58	6.35	49.21	23.81	14.29	4.76
8 57	-	7.02	43.86	26.32	17.54	5.26
Over 8 108	.93	11.11	32.41	37.96	12.04	5.55
Totals 882	.68	9.41	38.32	30.62	14.28	6.69

Sample farmers with under 5 years of experience were found only in five districts, 6, 10, 11, 12 and 16. District 16 has no farmers with more than 40 years of experience. Districts 6 and 15 have the most with more than 40 years of experience.

Table 6C: Distribution of the experience factor by Wheat Pool districts

Total reporting by districts	Under 5 yrs.	5-10 yrs.	11-20 yrs.	21-30 yrs.	31-40 yrs.	Over 40 yrs.
1	50	-	8.00 %	44.00 %	6.00 %	6.00 %
2	39	-	10.26	41.03	30.77	15.38
3	33	-	12.12	60.61	9.09	9.09
4	34	-	11.76	32.35	38.24	14.71
5	47	-	14.89	42.55	31.92	8.51
6	66	1.51%	4.55	30.30	33.34	18.18
7	60	-	8.33	33.33	35.00	16.67
8	45	-	2.22	37.78	33.33	17.78
9	51	-	13.73	33.33	33.33	13.73
10	51	3.92	15.69	45.10	21.57	9.80
11	65	1.54	6.15	43.08	36.92	3.08
12	55	1.82	12.73	34.55	27.27	18.18
13	70	-	4.29	38.57	24.29	25.71
14	59	-	3.39	38.98	35.59	13.56
15	44	-	9.09	29.55	27.27	20.45
16	56	1.79	8.93	35.71	39.29	14.28
Unidentified	57	-	19.30	38.60	21.05	14.03
Totals	882	.68%	9.41 %	38.32 %	30.62 %	14.28 %

7. Education

Question 7: Your education: Public School ☐; High School ☐; University courses ☐.

The 883 replies show the sample farmers about equally divided between those who attended public school and those who attended high school. A higher percentage of the random selection farmers have only public school education and fewer have high school and university.

Table 7A: Comparison of sample and random selection as to education.

	Public school	High school	University
Sample 883	43.4%	46.8%	9.8%
Random 40	57.5	35.0	7.5

There is a tendency for farmers with lower educational standards to operate smaller farms and for those with the higher standard to operate the larger farms. For example, most of the sample farmers on one-quarter section are listed under those with public school, and of those farming more than eight quarters 60 per cent have completed high school and nearly 10 per cent university courses.

Table 7B: Relationship of education factor to farm size

Replies by size in quarters	Public school	High school	University
1	18	72.22 %	27.78 %
2	109	47.71	44.95
3	126	48.41	45.24
4	194	41.75	50.52
5	112	45.54	45.54
6	96	43.75	39.58
7	64	35.94	50.00
8	55	47.27	32.73
Over 8	109	31.19	59.63
Totals	883	43.4 %	46.8 %

STANDING COMMITTEE

More than 10 per cent of the sample farmers in five districts (6, 7, 9, 10 and 11) have university courses and more than 20 per cent of the farmers in District 2 have university courses. The lowest incidence of university trained farmers was reported from Districts 1 and 3. Half or more of the sample farmers in Districts 4, 8, 13 and 15 have public school training and half or more of the farmers in Districts 1, 3, 5, 6, 10 and 11 have high school training.

Table 7C: Distribution of the education factor by Wheat Pool districts

Total reporting by districts		Public school	High School	University
1	50	40.0 %	56.0 %	4.0 %
2	39	41.03	38.46	20.51
3	33	33.33	63.64	3.03
4	34	58.82	32.35	8.83
5	47	34.04	57.45	8.51
6	66	33.33	53.03	13.64
7	59	47.46	40.68	11.86
8	46	60.87	32.61	6.52
9	51	43.14	43.14	13.72
10	51	33.33	52.94	13.73
11	65	29.23	56.92	13.85
12	56	48.21	42.86	8.93
13	70	51.43	40.00	8.57
14	59	47.46	44.07	8.47
15	44	50.00	45.45	4.55
16	55	45.45	45.45	9.10
Unidentified	58	44.83	48.28	6.89
Totals	883	43.4 %	46.8 %	9.8 %

8. Age of Farmers

Question 8: Your Age: 20-30 yrs. ☐; 31-40 yrs. ☐; 41-50 yrs. ☐; 51-60 yrs. ☐; over 60 yrs. ☐.

The 885 replies in the sample indicate 70 per cent of the farmers aged between 31 and 50 years. Only 5.6 per cent of them are over 60 years of age. Replies from the farmers in the random selection indicate fewer farmers in the younger groupings and more in the older groupings. For example, nearly 10 per cent of the random selection are over 60 years of age.

Table 8A: Comparison of sample and random selection as to age of farmers

	20-30 yrs.	31-40 yrs.	41-50 yrs.	51-60 yrs.	Over 60 yrs.
Sample 885	11.6 %	31.9 %	38.1 %	12.8 %	5.6 %
Random 41	4.9	29.3	26.8	29.2	9.8

More of the younger farmers are on the larger-sized farms and more of the farmers over 60 are on the smaller-sized farms. Other than these two observations it would be difficult to relate too directly the farmer's age to the size of his farming operation.

Table 8B: Relationship of the age factor to farm size

Replies by size in quarters		20-30 yrs.	31-40 yrs.	41-50 yrs.	51-60 yrs.	Over 60 yrs.
1	18	5.56 %	38.89 %	33.33 %	16.67 %	5.55 %
2	108	9.26	27.78	36.10	16.67	10.19
3	127	8.67	35.43	35.43	17.32	3.15
4	191	10.47	31.94	39.79	10.99	6.81
5	114	13.15	28.95	44.74	7.90	5.26
6	97	11.34	35.05	34.02	12.37	7.22
7	63	17.46	36.51	33.33	7.94	4.76
8	58	13.79	31.03	36.21	15.52	3.45
Over 8	109	14.63	28.44	41.29	12.84	2.75
Totals	885	11.6 %	31.9 %	38.1 %	12.8 %	5.6 %

Twenty per cent or more of the sample farmers in Districts 10 and 12 are in the lowest age group and more than 10 per cent of the farmers in Districts 1, 2, 5, 7, 10, 11, 12 and 15 are in the 20-30 year group. At the other end of the age scale more than 10 per cent of the farmers in District 6, 8 and 15 are more than 60 years of age.

Table 8C: Distribution of the age factor by Wheat Pool districts.

Farmers reporting by districts	20-30 yrs.	31-40 yrs.	41-50 yrs.	51-60 yrs.	Over 60 yrs.
1	50	12.00 %	34.00 %	40.00 %	14.00 %
2	40	15.00	35.00	35.00	12.50
3	35	5.72	51.43	25.71	8.57
4	34	8.82	38.24	47.06	5.88
5	47	10.64	38.30	36.17	12.77
6	66	7.57	22.73	40.91	18.18
7	59	11.87	22.03	44.07	15.25
8	46	6.52	36.96	34.78	10.87
9	51	7.84	39.22	39.22	9.80
10	51	21.57	21.57	49.02	5.88
11	65	10.77	35.38	35.39	10.77
12	55	21.82	30.91	27.27	14.55
13	69	4.35	28.99	44.93	14.49
14	59	1.70	37.29	35.59	20.34
15	44	13.64	27.27	36.36	11.37
16	56	8.93	32.14	39.29	17.86
Unidentified	58	29.31	24.14	32.76	6.90
Totals	885	11.6 %	31.9 %	38.1 %	12.8 %

9. Where farmers live

Question 9: Do you live on the farm all year round ☐; part of year only ☐; not at all ☐.

The 880 replies show more than 88 per cent of the sample farmers live on their farms all year round. The balance are about evenly divided between those who live on the farm only part of the year and those who say they do not live on the farm at all. More of the farmers in the random selection live away from their farm, at least part of the year.

Table 9A: Comparison of sample and random selection as to where farmers live

	All year on farm	Part of year	Not at all
Sample 880	88.3%	5.8%	5.9%
Random 41	82.9	9.8	7.3

All of the 18 sample farmers who operate one-quarter section farms live on their farm all year round, 90 per cent or more of the farmers on five quarters, six quarters, seven quarters and more than eight quarters live on the farm all year round. Ten per cent of the farmers who operate eight quarters live on the farm only part of the year, and smaller percentages reported under this category for all of the other farm sizes. Of the farmers who do not live on their farms at all, the lowest percentage is reported by farmers on the largest farms, those who farm more than eight quarters. The highest was reported by farmers on three quarters.

Table 9B: Relationship of farm residence to farm size

Replies by size in quarters	Live on farm all year	Part of year	Not at all
1 18	100.0 %	-	-
2 109	85.32	7.34 %	7.34 %
3 126	85.71	6.35	7.94
4 192	85.94	6.77	7.29
5 111	91.89	4.51	3.60
6 97	90.72	2.06	7.22
7 61	91.80	4.92	3.28
8 57	82.46	10.53	7.01
Over 8 109	91.74	5.51	2.75
Totals 880	83.3 %	5.8 %	5.9 %

More than 90 per cent of the sample farmers in Districts 2, 5, 9, 12, 14 and 15 live on their farm all year round. More than ten per cent of the farmers in Districts 1, 10 and 13 live on the farm part of the year. More of the sample farmers in Districts 6 and 11--that is ten per cent of more of them--do not live on the farm at all. Districts reporting the lowest percentage of farmers who do not live on the farm at all are Districts 1, 2, 7, 9, 10 and 12.

Table 9C: Distribution of farm residence factor by Wheat Pool districts

Farmers reporting by districts	All year on farm	Part of year	Not at all
1 50	88.0 %	10.0 %	2.0 %
2 40	95.0	2.5	2.5
3 34	88.24	2.94	8.82
4 33	81.82	9.09	9.09
5 47	91.49	4.26	4.25
6 66	81.82	7.58	10.60
7 58	89.66	8.62	1.72
8 46	89.13	4.35	6.52
9 50	92.0	6.0	2.0
10 51	86.27	11.77	1.96
11 63	84.13	4.76	11.11
12 54	92.59	5.56	1.85
13 70	85.71	10.0	4.29
14 60	93.33	1.67	5.0
15 44	93.18	-	6.82
16 56	89.29	1.79	8.92
Undertified 58	82.76	5.17	12.07
Totals 880	83.3 %	5.8 %	5.9 %

10. Off-farm jobs

Question 10: Do you also have an off-farm job: Yes ☐; No ☐; Does your wife: Yes ☐; No ☐.

Of the sample farmers 12.7 per cent have off-farm jobs and 3.8 per cent of them say their wives have; of the random selection 19.5 per cent have off-farm jobs and 4.9 per cent of them say their wives have.

Table 10A: Comparison of sample and random selection as to farmers and wives with off-farm jobs.

	Those with off-farm jobs	Wives with off-farm jobs
Sample 887	12.7%	3.8%
Random 41	19.5	4.9

More of the sample farmers on the smaller sized farms have off-farm jobs and conversely more of the farmers on the very large farms say their wives have. Of the 110 farmers who operate more than eight quarters, nine per cent say their wives have off-farm jobs.

Table 10B: Relationship of farmers and their wives with off-farm jobs to farm size

Total farmers by quarters		Farmers with off-farm jobs	Wives with off-farm jobs
1	18	33.33 %	-
2	110	20.91	7.27 %
3	126	16.67	3.97
4	192	12.50	3.12
5	112	15.79	7.02
6	97	10.31	5.16
7	63	3.17	-
8	57	3.51	1.75
Over 8	110	6.36	9.09
Totals	887	12.73 %	3.83 %

More of the sample farmers in District 1--22 per cent of them-- have off-farm jobs than have farmers in any of the other districts. Farmers in Districts 14 and 15 run a close second, with 18 per cent of each reporting off-farm jobs. Among the districts more farmer's wives in District 7 than in any other have off-farm jobs. District 7 reported 11.67 per cent of farmer's wives with extra jobs. None of the farmers in Districts 3, 5 and 9 have wives with off-farm jobs.

Table 10C: Distribution of farmers and their wives with off-farm jobs by Wheat Pool districts

Total farmers by districts		Those with off-farm jobs	Wives with off-farm jobs
1	50	22.00 %	4.00 %
2	40	12.50	2.50
3	34	8.82	-
4	34	11.76	5.89
5	47	4.26	-
6	66	10.61	4.54
7	60	5.00	11.67
8	46	13.04	6.52
9	51	13.73	-
10	51	11.77	1.96
11	65	12.30	1.54
12	55	9.09	3.64
13	70	11.43	4.28
14	60	18.33	3.33
15	44	18.18	4.55
16	44	10.72	5.36
Unidentified	58	22.41	3.45
Totals	887	12.73 %	3.83 %

11. Community activity

Question 11: Have you held an elected position within the last five years in any local organization other than the Wheat Pool Committee: Yes ☐; No ☐.

Affirmative replies from 615 farmers indicate that 69.3 per cent held an elected position outside of the Wheat Pool committee in the last five years. In the random selection 58.5 per cent held such elected positions.

Table 11A: Comparison of sample and random selection as to community activity

	<u>With elected positions</u>
Sample 887	69.3%
Random 41	58.5

There is no direct relationship between farm size and the percentage of farmers with elected positions. Seventy-nine per cent of the farmers on seven quarters had elected positions, 73 per cent of the farmers on four quarters had and 72 per cent of the farmers on one quarter. The lowest percentage is among the 110 farmers on two quarters--only 61.8 per cent held elected positions.

Table 11B: Relationship of community activity to farm size

<u>Total farmers by quarters</u>	<u>With elected positions</u>
1 18	72.22 %
2 110	61.82
3 126	71.43
4 192	73.44
5 114	64.04
6 97	67.01
7 63	79.37
8 57	64.91
<u>Over 8 110</u>	<u>70.91</u>
Totals 887	69.3 %

More than three-quarters of the farmers in Districts 3, 6, 14 and 15 held elected positions in local organizations outside the Wheat Pool committees. The lowest return was from the 61 farmers in District 10--fewer than 60 per cent held non-Pool elected positions.

Table 11C: Distribution of community activity by Wheat Pool districts

<u>Total replies by districts</u>	<u>With elected positions</u>
1 50	72.00 %
2 40	67.50
3 34	79.41
4 34	61.76
5 47	68.09
6 66	78.79
7 60	63.33
8 46	60.87
9 51	74.51
10 51	58.82
11 65	72.31
12 55	65.45
13 70	74.29
14 60	80.00
15 44	75.00
16 56	66.07
<u>Unidentified 58</u>	<u>56.90</u>
Totals 887	69.3 %

12. Help on the farm

Question 12: Do you operate farm entirely alone ☐; with family ☐; hired help ☐; with both ☐.

Replies from 881 farmers indicate that 22 per cent operate the farm entirely alone. Just over 40 per cent operate with family help, 12 per cent use hired help and 21 per cent use both hired help and family help. Farmers in the random selection apparently use more hired help but the percentages of them operating entirely alone or with family is about the same as for the sample.

Table 12A: Comparison of sample and random selection as to help on the farm

	<u>Entirely alone</u>	<u>With family</u>	<u>With hired help</u>	<u>With both</u>
Sample 881	22.3 %	43.8 %	12.7 %	21.2 %
Random 41	24.4	43.9	19.5	12.2

More of the smaller farmers operate their farm entirely alone or with family help. More of the larger farmers have hired help or operate with a combination of hired help and family help.

Table 12B: Relationship of hired help to farm size

Total replies by quarters		<u>Entirely alone</u>	<u>With family</u>	<u>With hired help</u>	<u>With both</u>
1	18	27.78 %	72.22 %	--	-
2	109	36.70	45.87	4.59 %	12.84 %
3	126	29.37	53.17	4.76	12.70
4	191	25.13	51.31	6.81	16.75
5	114	25.44	35.97	11.40	27.19
6	96	14.58	39.58	22.92	22.92
7	64	15.63	46.87	18.75	18.75
8	55	7.27	38.18	18.18	36.37
Over 8	108	8.33	27.78	28.70	35.19
Totals	881	22.36 %	43.93 %	12.71 %	21.00 %

Thirty per cent or more of the farmers in Districts 1, 3 and 10 operate their farms entirely alone. The lowest percentage of farmers without any additional help is in District 8 where only ten per cent operate entirely alone. More than half of the farmers in Districts 8, 12 and 14 operate farms with family help. Of farmers who use hired help the highest percentage is in District 10 where 22 per cent of the sample have hired help. District 7 is the lowest with only five per cent recording hired help.

Table 12C: Distribution of hired help by Wheat Pool districts

Total replies by districts		<u>Entirely alone</u>	<u>With family</u>	<u>With hired help</u>	<u>With both</u>
1	50	36.00 %	42.00 %	8.00 %	14.00 %
2	40	15.00	47.50	17.50	20.00
3	34	32.35	35.29	14.71	17.65
4	34	29.41	32.35	14.71	23.53
5	47	25.53	40.43	12.76	21.28
6	66	18.18	43.94	16.67	21.21
7	59	23.73	47.46	5.08	23.73
8	46	10.87	56.52	8.70	23.91
9	51	27.45	37.26	9.80	25.49
10	50	30.00	30.00	22.00	18.00
11	64	23.44	45.31	10.94	20.31
12	55	14.55	52.73	14.54	18.18
13	70	22.86	48.57	11.43	17.14
14	58	15.52	51.72	8.62	24.14
15	44	11.37	36.36	15.91	36.36
16	56	16.07	46.43	12.50	25.00
Unidentified	57	21.58	42.10	15.79	10.53
Totals	881	22.36 %	43.93 %	12.71 %	21.00 %

13. Extent of hired help in 1960

Question 13: If you have hired help, how many man-days did they work in 1960: man-days.

Replies from 346 farmers in the sample indicate that nearly a third of them employed hired help in 1960 for 90 man-days or more. It is recognized that there may have been some misunderstanding about what the term "man-days" means, and it is just possible that some of these farmers recorded the total number of days in which they hired help rather than man-days.

Table 13A: Comparison of sample and random selection as to the use of hired help

	Percentage of total replies for each				
	1-15 days	16-30 days	31-60 days	61-90 days	Over 90 man-days
Sample 346	19.4 %	21.4 %	19.1 %	7.5 %	32.6 %
Random 16	-	31.2	12.5	-	56.3

More than half of the random selection said they had hired help in 1960 for 90 man-days or more; none had any for less than the two weeks.

In total, 39 per cent of the sample had hired help in 1960. More of the farmers on smaller farms had hired help for shorter periods of time and more of the farmers on the larger farms had hired help for 90 man-days or more.

Table 13B: Relationship of hired help in 1960 to farm size

Total farmers by quarters	Total replies by quarters No. % of total		Percentage of total replies for each				
			Man				
			1-15 days	16-30	31-60	61-90	Over 90 days
1	18	-	-	-	-	-	-
2	110	22 20.00 %	54.54 %	4.55 %	31.81 %	4.55 %	4.55 %
3	126	27 21.42	22.22	40.74	14.82	7.40	14.82
4	192	62 32.29	35.49	29.03	14.53	6.42	14.53
5	114	50 43.85	24.00	26.00	22.00	6.00	22.00
6	97	53 54.64	11.32	26.42	22.64	5.66	33.96
7	63	26 41.27	7.69	19.23	30.77	19.23	23.08
8	57	33 57.89	6.06	9.09	18.18	12.12	54.55
Over 8	110	72 66.36	6.85	12.34	12.34	5.46	63.01
Totals	887	346 39.0 %	19.4 %	21.4 %	19.1 %	7.5 %	32.6 %

More than half of the sample farmers in Districts 3 and 13 had hired help in 1960 for more than 90 man-days. Only 19 per cent of the farmers in District 15 had hired help for more than 90 man-days. More of the sample farmers in District 15 than any other district hired help during the year. More than 59 per cent of them reported under this question. The fewest number of replies came from District 1 where only 24 per cent of the farmers recorded hired help in 1960.

Table 13C: Distribution of the use of hired help in 1960 by Wheat Pool districts

Total farmers by districts		Total replies by districts	Percentage of total replies for each					
			No. % of total	Man-				
				1-15 days	16-30	31-60	61-90	Over 90 man-days
1	50	12	24.00	25.00	16.66	33.34	-	25.00
2	40	18	45.00	27.78	27.78	11.11	-	33.33
3	34	13	38.23	15.39	15.39	7.69	-	61.53
4	34	15	44.12	26.67	26.67	13.33	-	33.33
5	47	20	42.56	30.00	10.00	20.00	5.00	35.00
6	66	28	42.42	32.14	28.57	7.15	-	32.14
7	60	18	30.00	22.22	22.22	27.78	5.56	22.22
8	46	16	34.78	12.50	31.25	12.50	6.25	37.50
9	51	23	45.10	21.74	13.04	21.74	13.04	30.44
10	51	23	45.10	8.70	30.43	21.74	8.70	30.43
11	65	25	38.46	24.00	28.00	20.00	4.00	24.00
12	55	19	34.55	10.53	21.05	26.32	5.26	36.84
13	70	22	31.43	4.54	13.64	13.64	13.64	54.54
14	60	25	41.67	16.00	12.00	20.00	12.00	40.00
15	44	26	59.09	7.70	19.23	26.92	26.92	19.23
16	56	25	44.64	16.00	32.00	24.00	4.00	24.00
Unidentified	58	18	31.03	33.33	11.11	16.67	11.11	27.78
Totals	887	346	39.0	19.4	21.4	19.1	7.5	32.6

14. Current value of farm machinery owned

Question 14: Estimated total current value of all your farm machinery owned:
 \$5,000 or less ☐; \$5,-\$10,000 ☐; \$10,-\$20,000 ☐; \$20,-\$30,000 ☐;
 over \$30,000 ☐.

Replies from 866 farmers in the sample indicate that more than one-third of the total estimate the current value of their owned farm machinery at between \$10,000 and \$20,000. Among the 40 farmers replying in the random selection the highest value group incidence was in a lower range, between \$5,000 and \$10,000. These figures may be compared with figures contained in the report from the Saskatchewan Department of

Agriculture on the operation of 455 members of farm management clubs in the province in 1959. These 455 farmers said their average investment in machines and equipment in 1959 was \$9,782.00 for an average of 17 per cent of their total farm investment. More of the sample farmers than of the random selection farmers record their inventory under \$5,000 and more of the random selection farmers record their inventory at over \$20,000. It must be pointed out that the question asked only for "an estimated total current value" and did not define what was meant by that term. Consequently there is no way of knowing whether all or how many of the farmers concede depreciation in determining the current value of machinery.

Table 14A: Comparison of sample and random selection as to estimated total current value of owned farm machinery

	Under \$5,000	\$5,-\$10,000	\$10,-\$20,000	\$20,-\$30,000	Over \$30,000
Sample 866	18.5 %	32.9 %	37.4 %	9.1 %	2.1%
Random 40	5.4	45.0	30.0	15.0	5.0

The distribution of machinery investment by farm size is, of course, of more interest to this study than is the distribution of these estimates among all farmers. Table 14B demonstrates that more of the smaller farmers have machinery inventories valued under \$5,000 than have the larger farmers, and that more of the larger farmers have machinery inventories valued at more than \$20,000 than have smaller farmers. None of the farmers on one quarter have machinery valued at more than \$20,000, and none of the farmers on one, two or three quarters have machinery valued at more than \$30,000.

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Table 14B: Relationship of farm machinery investment to farm size

Replies by quarters	Under \$5,000	\$5,-\$10,000	\$10,-\$20,000	\$20,-\$30,000	Over \$30,000
1 17	52.94 %	23.53 %	23.53 %	-	-
2 107	45.80	42.05	10.28	1.87 %	-
3 123	35.77	41.46	20.33	2.44	-
4 185	15.14	41.08	37.84	5.40	0.54 %
5 108	10.19	36.11	46.30	6.48	0.92
6 97	8.25	29.90	48.45	12.37	1.03
7 63	6.35	22.22	55.56	14.28	1.59
8 57	3.51	24.56	45.62	21.05	5.26
Over 8 109	4.59	11.92	51.38	22.02	10.09
Totals 866	18.5 %	32.9 %	37.4 %	9.1 %	2.1 %

While Table 14B demonstrates the percentage of sample farmers on each farm size who recorded the various machinery investment values, Table 14C demonstrates the percentage of farmers recording investment of varying values who occupied farms of varying sizes. It is the same table tipped sideways to show more readily, for example, that of farmers reporting machinery investment over \$30,000, 16 per cent are on 18 quarters, 61 per cent farm more than eight quarters, and so on.

Table 14C: Distribution of farm size among various groupings by value of farm machinery

Total replies	1Q	2Q	3Q	4Q	5Q	6Q	7Q	8Q	Over 8Q	
Under \$5,000	160	5.62%	30.63%	27.50%	17.50%	6.88%	5.00%	2.50%	1.24%	3.13%
\$5,000-\$10,000	285	1.40	15.79	17.90	26.67	13.68	10.18	4.91	4.91	4.56
\$10,000-\$20,000	324	1.23	3.40	7.72	21.61	15.43	14.51	10.80	8.02	17.28
\$20,000-\$30,000	79	-	2.53	3.80	12.66	8.86	15.19	11.39	15.19	30.38
Over \$30,000	18	-	-	-	5.55	5.56	5.55	5.56	16.67	61.11
Total replies	886	17	107	123	185	108	97	63	57	109

None of the sample farmers in Districts 1, 2, 5, 7, 12 or 14 have investment in machinery at more than \$30,000. The highest percentage of farmers reporting in the top investment group are the six per cent of the 33 farmers in District 3. At the other end of the scale, more than one-third of the farmers in District 16 have farm machinery whose current value is less than \$5,000, and more than twenty per cent of the farmers in Districts 2, 7, 8, 10 and 11 are in this lowest category.

Table 14D: Distribution of farm machinery investment by Wheat Pool districts

Replies by districts	Under \$5,000	\$5,-\$10,000	\$10,-\$20,000	\$20,-\$30,000	Over \$30,000
1 49	12.24%	38.78%	42.86%	6.12%	-
2 37	27.03	35.13	18.92	18.92	-
3 33	18.18	27.27	33.34	15.15	6.06%
4 33	12.12	42.43	33.33	9.09	3.03
5 47	8.51	42.55	29.79	19.15	-
6 63	11.11	30.16	49.21	4.76	4.76
7 58	22.41	34.48	36.21	6.90	-
8 45	22.22	42.22	28.89	4.45	2.22
9 49	18.37	34.69	40.82	4.08	2.04
10 51	21.57	31.37	39.22	5.88	1.96
11 62	20.97	19.36	50.00	8.06	1.61
12 54	16.67	31.48	42.59	9.26	-
13 70	14.29	34.29	34.28	15.71	1.43
14 60	18.33	31.67	23.33	6.67	-
15 43	16.28	27.91	37.21	13.95	4.65
16 55	34.55	34.54	21.82	5.45	3.64
Unident. 57	19.30	28.07	40.35	7.02	5.26
Totals 866	18.5 %	32.9 %	37.4 %	9.1%	2.1 %

15. Sufficient machinery

Question 15: Have you enough machinery for your operation: Yes ☐; No ☐; too much ☐.

The 887 replies indicate that 58 per cent of the sample farmers consider they have enough machinery, 40 per cent have not enough, and fewer than one per cent have too much. Farmers in the random selection differ little in their opinion about having enough or not enough but quite a few more of them consider they have too much.

Table 15A: Comparison of sample and random selection as to sufficient machinery

	<u>Enough</u>	<u>Not enough</u>	<u>Too much</u>
Sample 887	58.9 %	40.4 %	0.7 %
Random 41	58.5	39.0	2.5

None of the smallest farmers and none of the biggest sample farmers have too much machinery, but in general there is little direct relationship between farm size and the farmer's attitude about sufficient machinery.

Table 15B: Relationship of attitudes on machinery inventory to farm size

Total replies by quarters	<u>Enough</u>	<u>Not enough</u>	<u>Too much</u>
1 18	72.22 %	27.78 %	-
2 108	45.37	53.70	00.93 %
3 124	48.39	50.00	01.61
4 189	60.32	39.15	00.53
5 114	57.89	41.23	00.88
6 97	62.89	37.11	-
7 62	75.81	24.19	-
8 56	67.86	30.36	01.78
Over 8 109	62.39	37.61	-
Totals 877	58.84 %	40.48 %	00.68 %

More than 45 per cent of the farmers in six districts (4, 7, 9, 12, 15 and 16) do not have enough machinery. District 16 is the worst with 62 per cent reporting not enough. Farmers in Districts 3, 6 and 11 appear to be the most satisfied about their inventories of machinery as fewer than 30 per cent in each say they do not have enough.

Table 15C: Distribution of attitude on machinery inventory by Wheat Pool districts

Total replies by quarters		Enough	Not Enough	Too much
1	49	57.14 %	42.86 %	-
2	40	65.00	35.00	-
3	34	73.53	26.47	-
4	33	51.52	45.45	03.03 %
5	46	65.22	32.61	02.17
6	65	72.31	27.69	-
7	59	52.54	47.46	-
8	45	55.56	44.44	-
9	51	47.06	50.98	01.96
10	51	64.71	35.29	-
11	64	68.75	29.69	01.56
12	55	52.73	45.45	01.82
13	69	57.97	42.03	-
14	59	61.02	37.29	01.69
15	43	53.49	46.51	-
16	56	37.50	62.50	-
Unident.	58	63.79	36.21	-
Totals	877	58.84 %	40.48 %	00.68 %

16. Custom Hiring of machinery

Question 16: Do you do custom work for others ☐; do others custom for you ☐; both ☐; neither ☐.

Replies from 828 farmers indicate that an even 50 per cent of the sample engage in custom hiring or renting of machinery. Slightly fewer of the farmers in the random selection engage in custom hiring or renting.

Table 16A: Comparison of sample and random selection as to custom hiring of machinery

	Rent out machinery	Hire custom work	Both	Neither
Sample 828	17.6 %	16.1 %	16.3 %	50.0 %
Random 38	10.5	10.5	21.1	57.9

Smaller farmers tend to hire machinery more than they rent it and larger farmers tend to rent out machinery more than they hire it. This suggests that the smaller farmers have more need for the machinery than the larger ones.

Table 16B: Relationship of custom hiring to farm size

Replies by quarters	Rent out machinery	Hire custom work	Both	Neither
1 15	13.33 %	20.00 %	13.33 %	53.34 %
2 100	16.00	29.00	18.00	37.00
3 200	18.03	17.21	22.13	42.63
4 178	16.29	19.66	15.17	48.88
5 104	18.27	14.42	18.27	49.04
6 93	15.05	12.91	20.43	51.61
7 58	29.31	8.62	5.17	56.90
8 54	20.37	9.26	12.69	57.41
Over 8 104	15.39	7.69	12.50	64.42
Totals 828	17.6 %	16.1 %	16.3 %	50.0 %

Fewer than half of the farmers in Districts 1, 3, 4, 5, 10, 11 and 12 engage in custom work of any kind. On the other hand 70 per cent of the farmers in District 8 engage in custom work and two-thirds of the farmers in District 14 do.

Table 16C: Distribution of custom hiring by Wheat Pool districts

Replies by districts	Rent out machinery	Hire custom work	Both	Neither
1 47	12.76 %	17.02 %	10.64 %	59.58 %
2 37	32.43	8.11	13.51	45.95
3 34	11.76	11.76	14.71	61.77
4 29	17.24	10.34	10.34	62.08
5 45	8.89	8.89	13.33	68.89
6 58	18.97	18.97	18.97	43.09
7 54	16.67	12.96	25.93	44.44
8 40	25.00	27.50	17.50	30.00
9 49	10.20	20.41	24.49	44.90
10 45	20.00	15.56	13.33	51.11
11 61	6.56	11.48	9.84	72.12
12 53	15.09	11.33	20.75	52.83
13 67	14.93	28.36	10.45	46.26
14 59	27.12	13.56	22.03	37.29
15 42	19.05	21.43	14.29	45.23
16 53	15.09	15.09	22.64	47.18
Unident. 55	30.91	14.55	10.91	43.63
Totals 828	17.6 %	16.1 %	16.3 %	50.0 %

17. Sharing of machinery

Question 17: Do neighbors use your machinery ☐; do you use theirs ☐;
both ☐; No sharing ☐.

The 832 replies indicate that about two-thirds of the sample farmers share machinery, either lending it or borrowing it from others. Only half of the farmers in the random selection lend or borrow machinery.

Table 17A: Comparison of sample and random selection as to machinery sharing

	Lend machinery	Borrow machinery	Both	Neither
Sample 832	11.2 %	2.9 %	47.0 %	38.9 %
Random 32	9.4	-	40.6	50.0

More of the larger farmers lend machinery than borrow it, and more of the smaller farmers borrow machinery than lend it. This suggests that the smaller farmers have greater need of machinery than larger farmers and that the larger ones have available more machinery they can let others use. There is little real difference between smaller and larger farmers on the question of sharing machinery on both ends of the transaction, lending and borrowing as the following table indicates.

Table 17B: Relationship of machinery sharing to farm size

Replies by quarters	Lend machinery	Borrow machinery	Both	Neither
1 16	6.25 %	6.25 %	43.75 %	43.75 %
2 101	13.86	6.93	46.54	32.67
3 118	8.47	5.08	44.92	41.53
4 174	9.20	2.87	51.72	36.21
5 109	9.17	1.84	53.21	35.78
6 91	16.48	-	42.86	40.66
7 60	11.67	-	50.00	38.33
8 55	10.91	1.82	38.18	49.09
Over 8 55	12.97	1.85	42.59	42.59
Totals 832	11.2 %	2.9 %	47.0 %	38.9 %

The least machinery sharing is done by the farmers in Districts 3, 5, and 7, half or more of whom say they neither lend nor borrow machinery. The most machinery sharing is done by farmers in Districts 9, 10, 11, 14 and 16, in which districts two-thirds or more of the farmers either lend or borrow machines or both.

Table 17C: Distribution of machinery sharing by Wheat Pool districts

Replies by districts	Lend machinery	Borrow machinery	Both	Neither
1 46	10.87 %	4.35 %	47.82 %	36.96 %
2 37	13.51	8.11	35.14	43.24
3 31	12.90	-	19.36	67.74
4 30	20.00	-	36.67	43.33
5 47	4.26	2.13	42.55	51.06
6 64	10.94	1.56	43.75	43.75
7 53	7.55	-	43.40	49.05
8 42	19.05	-	38.09	42.86
9 47	8.51	8.51	59.57	23.41
10 45	8.89	4.45	64.44	22.22
11 62	9.68	1.61	56.45	32.26
12 54	11.11	3.70	48.15	37.04
13 66	4.55	3.03	51.51	40.91
14 56	14.29	1.78	50.00	33.93
15 43	11.63	4.65	44.19	39.53
16 53	16.98	3.77	47.17	32.08
Unident. 56	12.50	1.79	50.00	35.71
Totals 832	11.2 %	2.9 %	47.5 %	38.9 %

18. New vs. second-hand machinery

Question 18: Do you buy all your machinery new ☐; some new ☐; none new ☐.

More than 80 per cent of the sample farmers usually buy at least some of their machinery second-hand. Only 17.8 per cent said they buy all their machinery new. Slightly more of the farmers in the random selection buy all of their machinery new.

Table 18A: Comparison of sample and random selection on purchase of new vs second-hand machinery

	All new	Some new	None new
Sample 878	17.8 %	75.2 %	7.0 %
Random 40	25.0	65.0	10.0

Slightly more of the larger sample farmers usually buy all of their machinery new. Among those who buy none new, are more than 20 per cent of the farmers on one and two quarters.

Table 18B: Relationship of new or second-hand machinery purchases by farm size

Replies by quarters	All new	Some new	None new
1 18	5.56 %	72.22 %	22.22 %
2 108	11.11	68.52	20.37
3 123	19.51	70.73	9.76
4 191	15.18	79.58	5.24
5 112	21.43	75.89	2.68
6 97	20.62	74.23	5.15
7 63	23.81	69.84	6.35
8 57	15.79	82.46	1.75
Over 8 109	20.18	78.90	.92
Totals 878	17.8 %	75.2 %	7.0 %

Sample farmers in Districts 5, 14 and 16 appear less able to buy any new machinery. More than 10 per cent of the farmers in these three districts said they buy no new machinery. Farmers in Districts 2, 5, 11, 13 and 14 are apparently better able or more inclined to buy all of their machinery new. In these five districts more than 20 per cent buy all their machinery new. In District 2 more than 27 per cent of the 40 farmers buy all of their machinery new.

Table 18C: Distribution of new or second-hand machinery purchases by Wheat Pool districts

<u>Replies by districts</u>		<u>All new</u>	<u>Some new</u>	<u>None new</u>
1	49	10.20 %	85.72 %	4.08 %
2	40	27.50	67.50	5.00
3	34	17.65	79.41	2.94
4	33	12.12	78.79	9.09
5	27	23.40	65.96	10.64
6	66	10.61	81.82	7.57
7	58	18.96	74.14	6.90
8	45	17.78	77.78	4.44
9	51	15.69	76.47	7.84
10	49	18.37	79.59	2.04
11	63	22.22	71.43	6.35
12	54	18.52	72.22	9.26
13	70	20.00	74.29	5.71
14	60	25.00	63.33	11.67
15	44	18.18	77.27	4.55
16	57	7.02	80.70	12.28
<u>Unident. 58</u>		<u>18.97</u>	<u>74.13</u>	<u>6.90</u>
Totals 878		17.8 %	75.2 %	7.0 %

19. Purchase of new machinery or implements in the years 1958 - 1960

Question 19: Did you buy any new implements in any of the last three years:
Yes ☐; No ☐.

IF YES:

In 1960 were they valued under \$500 ☐; \$500-\$2000 ☐; \$2000-\$5000 ☐; over \$5000 ☐.
In 1959 were they valued under \$500 ☐; \$500-\$2000 ☐; \$2000-\$5000 ☐; over \$5000 ☐.
In 1958 were they valued under \$500 ☐; \$500-\$2000 ☐; \$2000-\$5000 ☐; over \$5000 ☐.

Replies from 628 sample farmers indicate that 70.8 per cent of the total bought some new machinery in the three-year period. Among farmers in the random sample 70.7 per cent bought some new machinery in the three-year period. Of the farmers who bought new machinery in the three-year period 371 bought new machinery in 1958, 406 bought new machinery in 1959, and 462 bought new machinery in 1960.

Table 19A: Comparison of sample and random selection as to new machinery purchases 1958-1960

	<u>Bought new machinery</u>
Sample 887	70.8 %
Random 41	70.7

Table 19B: Value of new machinery purchases 1958-1960

<u>Total replies</u>	<u>Purchasers</u>		<u>Percentage of total farmers and value purchased</u>			
	<u>No.</u>	<u>% of total</u>	<u>Under \$500</u>	<u>\$500-\$2,000</u>	<u>\$2,000-\$5,000</u>	<u>Over \$5,000</u>
887 1958	371	41.83	9.36	18.38	8.34	5.75
887 1959	406	45.77	10.48	18.60	8.23	8.46
887 1960	462	52.09	8.46	24.35	8.12	11.16

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Generally speaking, the larger the farmer the more able he was to increase his new machinery purchases from year to year during the three-year period.

Table 19C: Value of new machinery purchases by farm size for 1958-1960					
1958 new					
Total replies by quarters		Percentage of Total farmers and value purchased			
		Under \$500	\$500-\$2,000	\$2,000-\$5,000	Over \$5,000
1	18	-	11.11	5.56	-
2	110	8.18	6.36	5.45	-
3	126	7.14	17.46	3.96	2.38
4	192	10.42	16.67	7.29	5.72
5	114	11.40	21.05	13.16	4.39
6	97	6.19	21.65	6.19	5.15
7	63	4.76	26.98	12.70	19.05
8	57	7.02	26.32	7.02	8.77
Over 8	110	17.27	20.91	13.64	9.09
Totals	887	9.36	18.38	8.34	5.75
1959 new					
		Percentage of Total Farmers and value purchased			
		Under \$500	\$500-\$2,000	\$2,000-\$5,000	Over \$5,000
1	18	-	5.56	11.00	-
2	110	10.00	8.18	4.55	-
3	126	12.70	18.25	7.14	3.96
4	192	13.02	17.71	6.25	5.21
5	114	7.89	21.05	12.28	7.02
6	97	9.28	18.56	8.25	8.25
7	63	12.70	17.46	4.76	17.46
8	57	7.02	38.60	8.77	14.04
Over 8	110	10.00	20.91	13.64	22.73
Totals	887	10.48	18.60	8.23	8.46
1960 new					
		Percentage of Total farmers and value purchased			
		Under \$500	\$500-\$2,000	\$2,000-\$5,000	Over \$5,000
1	18	-	5.56	-	-
2	110	10.91	12.73	4.55	1.82
3	126	11.11	26.19	7.14	3.96
4	192	10.42	23.44	10.42	8.33
5	114	8.77	24.56	8.77	14.04
6	97	6.19	26.80	10.31	11.34
7	63	7.94	31.74	3.17	22.22
8	57	5.26	24.56	15.79	15.79
Over 8	110	4.55	31.82	6.36	23.64
Totals	887	8.46	24.35	8.12	11.16

20. Second-hand machinery purchases 1958-1960

Question 20: Did you buy any used or second-hand implements in the last three years: Yes ☐; No ☐.

IF YES:	
In 1960 was it valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .	
In 1959 was it valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .	
In 1960 was it valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .	

Replies from 560 farmers indicated that 63.13% of the sample bought second-hand machinery in the three-year period. This is a slightly higher percentage than the 56.1 per cent of the random selection who bought second-hand machinery in the three-year period.

Table 20A: Comparison of sample and random selection as to second-hand machinery purchases 1958-1960

		Bought second-hand machinery
Sample	887	63.1%
Random	41	56.1

Of the sample farmers who bought second-hand machinery in the three-year period, 272 bought second-hand machinery in 1958, 305 bought second-hand machinery in 1959, and 406 bought second-hand machinery in 1960.

Table 20B: Second-hand machinery purchases 1958-1960

Total replies	Purchasers		Percentage of total farmers and value purchased			
	No.	% of total	Under \$500	\$400-\$2,000	\$2,000-\$5,000	Over \$5,000
887 1958	272	30.67	14.09	12.97	3.38	0.23
887 1959	305	34.39	16.12	14.09	3.72	0.45
887 1960	406	45.77	19.39	19.50	5.64	1.24

There was a much greater increase in the number of sample farmers purchasing second-hand machinery in the last three years than the number of farmers purchasing new machinery. For example, of farmers buying new machinery valued under \$500, in 1958 there were 83, 1959 there were 93, 1960 there were 75 farmers; of farmers purchasing second-hand machinery valued under \$500, in 1958 there were 125, in 1959 there were 143 and in 1960 there were 172. This kind of absolute increase in the number of farmers from year to year held true for all of the values. Even for purchases of the highest value of new and second-hand machinery, that is over \$5,000, the number of farmers buying new machinery in this category increased from 51 to 99 during the three-year period, while the number of farmers buying second-hand machinery in this value category increased from two to eleven.

Table 20C demonstrates that the larger the farmer, the better able he was during the last three years to buy new machinery. The smaller farmers tend to be those who bought larger quantities of the lower valued machinery; more of the larger farmers bought the higher valued machinery.

Table 20C: Second-hand machinery purchases by farm sizes for 1958-1960

1958 Second-hand

Total replies by quarters		Percentage of Total farmers and value purchased			
		Under \$500	\$500-\$2,000	\$2,000-\$5,000	Over \$5,000
1	18	11.11	5.56	-	-
2	110	16.36	8.18	1.82	-
3	126	15.07	13.49	-	-
4	192	13.54	17.71	3.13	-
5	114	14.91	11.4	3.51	1.75
6	97	14.43	12.37	4.12	-
7	63	9.52	9.52	3.17	-
8	57	14.04	14.04	3.51	-
Over 8	110	13.64	13.64	9.09	-
Totals	887	14.09	12.97	3.38	00.23

1959 Second-hand

Total replies by quarters		Percentage of Total farmers and value purchased			
		Under \$500	\$500-\$2,000	\$2,000-\$5,000	Over \$5,000
1	18	5.56	11.11	-	-
2	110	17.27	14.55	-	-
3	126	26.19	13.49	2.38	-
4	192	12.5	13.54	3.65	-
5	114	20.18	15.79	2.63	-
6	97	18.56	10.31	2.06	1.03
7	63	11.11	14.29	7.94	1.59
8	57	7.02	19.30	7.02	1.75
Over 8	110	12.73	14.55	8.18	.91
Totals	887	16.12	14.09	3.72	.45

1960 Second-hand

Total replies by quarters		Percentage of Total farmers and value purchased			
		Under \$500	\$500-\$2,000	\$2,000-\$5,000	Over \$5,000
1	18	27.77	16.67	-	-
2	110	24.55	11.82	4.55	-
3	126	26.19	15.07	3.17	-
4	192	18.23	21.35	5.21	.52
5	114	16.66	23.68	4.39	-
6	97	18.56	19.59	10.31	3.09
7	63	11.11	14.29	6.35	-
8	57	17.54	29.82	5.26	-
Over 8	110	16.36	22.73	8.18	6.36
Totals	887	19.39	19.5	5.64	1.24

The following two tables compare replies to questions 19 and 20 to show relationship between farm size and the number of farmers purchasing new machinery and those purchasing second-hand machinery in the three-year period, and also to show how these purchases for the three-year period are distributed by Wheat Pool districts.

Table 19-20D: Machinery purchases new or second-hand 1958-60 by farm size

Total replies by quarters		Those who bought new machines	Those who bought second-hand machines
		% of total	% of total
1	18	33.33	61.11
2	110	41.82	59.09
3	126	65.08	65.87
4	192	68.75	61.46
5	114	80.70	67.54
6	97	78.35	63.92
7	63	80.95	50.79
8	57	78.95	59.65
Over 8	110	89.09	70.91
Totals	887	70.80	63.13

Table 19-20E: Distribution of machinery purchased new or second-hand by Wheat Pool districts

Total replies by districts	Those who bought new machines		Those who bought second-hand machines	
	% of total		% of total	
1	50	70.00		72.00
2	40	77.50		47.50
3	34	73.53		67.65
4	34	76.47		70.59
5	47	78.72		61.70
6	66	54.55		60.61
7	60	70.00		58.33
8	46	63.04		67.39
9	51	72.55		64.71
10	51	78.43		54.81
11	65	69.23		52.31
12	55	74.55		67.27
13	70	71.43		58.57
14	60	75.00		68.33
15	44	65.91		54.55
16	56	67.86		78.57
Unident.	58	74.14		70.69
Totals	887	70.80		63.13

21. Credit used for machinery purchases

Question 21: Did you get credit to buy machinery (new or used): from Credit Union ☐; Bank ☐; Finance Company ☐; family members ☐; others ☐; no credit needed ☐.

Of the sample farmers 251 or 28.3 per cent of the total pay cash for machinery, that is they need no credit; of the random selection 15 farmers or 36.5 per cent of the total of 41 buy machinery for cash or need no credit. Of the farmers who use credit more than 60 per cent of both the sample and the random selection get their credit from the bank.

Table 21A: Comparison of sample and random selection as to credit methods

	<u>Credit union</u>	<u>Bank</u>	<u>Finance Co.</u>	<u>Family</u>	<u>Other</u>	<u>Cash</u>
Sample 652	16.0%	60.7%	8.4%	11.7%	5.2%	28.3%
Random 19	15.8	63.2	-	-	21.0	36.5

Replies indicate little relationship between farm size and whether a farmer is able to pay cash or not for his machinery purchased. However, of those who do use the various credit facilities a higher portion of the larger farmers than of the smaller farmers use the banks. Of the 12 farmers who replied from farms of one quarter size, none use finance companies and 75 per cent use the banks; this was the highest portion of farmers on any farm size using the banks. But of the farmers on two quarters or more, the smaller farmers tend to use banks less than do the larger farmers. The smaller farmers also tend to get their money from family members or from other sources more than do the larger farmers.

Table 21B: Relationship of credit methods to farm size								
Total who need credit by quarters						Cash Purchases		
						Total Sample	% not needing credit	
	Credit Union	Bank	Finance Co.	Family	Other			
1	12	8.33 %	75.0 %	-	8.33%	8.34%	18	22.22
2	66	16.67	46.97	4.54%	21.21	10.61	110	38.12
3	96	19.79	55.21	10.42	7.29	7.29	126	27.78
4	128	14.84	63.28	4.69	10.16	7.03	192	30.71
5	88	14.77	67.05	6.82	9.09	2.27	114	26.31
6	73	19.18	56.16	6.85	15.07	2.74	97	27.08
7	50	8.00	68.00	6.00	14.00	4.00	63	30.16
8	42	14.29	64.29	4.76	11.90	4.76	57	22.81
Over 8	97	17.53	62.89	7.22	10.31	2.06	110	20.91
Totals	652	15.95 %	60.74%	6.44%	11.65%	5.22%	887	28.30

Sample farmers in District 3 appear the best situated as far as purchasing machinery for cash is concerned--47 per cent need no credit. More than 30 per cent of the farmers in six other districts are able to buy for cash, in Districts 4, 6, 7, 9, 10 and 13. Of the farmers using credit facilities, three-quarters or more of the farmers in Districts 6, 7, 12 and 15 use the banks. Credit Unions are used by more of the sample farmers in Districts 4 and 9, a third or more in each. Only five per cent of the farmers in Districts 1 and 10 use credit unions. Sample farmers in District 3 are the only farmers who do not use finance companies at all. More than 10 per cent of the sample farmers in Districts 4, 8 and 15 use finance companies.

Table 21C: Distribution of credit methods by Wheat Pool districts								
Total who needed credit by districts						Cash Purchases		
						Total Sample	% not needing credit	
	Credit Union	Bank	Finance Co.	Family	Other			
1	39	5.13%	69.23%	5.13%	17.95%	2.56%	50	20.00
2	32	21.87	50.00	3.13	21.87	3.13	40	25.00
3	18	27.78	55.56	-	11.11	5.55	34	47.06
4	26	34.61	46.15	11.54	3.85	3.85	34	32.35
5	39	7.69	69.23	5.13	15.38	2.57	47	19.15
6	32	6.25	75.00	3.13	15.62	-	66	39.39
7	39	12.82	76.92	7.69	2.56	-	60	36.66
8	42	14.29	52.38	11.90	14.29	7.14	46	21.74
9	39	33.33	38.45	2.59	15.38	10.25	51	31.37
10	38	5.26	65.79	7.89	15.80	5.26	51	31.37
11	46	19.57	60.87	2.17	10.87	6.52	65	29.23
12	44	9.09	77.26	4.55	4.55	4.55	55	20.00
13	47	19.15	48.94	6.38	14.88	10.65	70	32.86
14	45	17.77	55.56	11.11	8.88	6.68	60	23.33
15	31	9.68	74.19	9.69	3.22	3.22	44	25.00
16	39	15.38	64.09	2.59	10.26	7.69	56	26.78
Unident.	56	19.64	53.57	10.71	10.71	5.37	58	20.69
Totals	652	15.95%	60.74%	6.44%	11.66%	5.21%	887	28.30

22. Farm Improvement loans

Question 22: If you got loan to buy machinery, did you use Farm Improvement loan: Yes ☐; No ☐.

Of the 652 replies about credit facilities, 67 per cent use Farm Improvement loans for the purchase of farm machinery and 51 per cent of the random selection buying machinery on credit use Farm Improvement loan.

Table 22A: Comparison of sample and random selection in the use of Farm Improvement loans

	<u>Percentage of farmers buying on credit who use Farm Improvement loans</u>
Sample 652	67.64%
Random 19	51.2

On the average more of the larger sample farmers use the Farm Improvement loans than do the smaller farmers. More than 80 per cent of the farmers reporting from eight quarters use Farm Improvement loans on the purchase of machinery while fewer than 60 per cent of the farmers on both one and two quarters use Farm Improvement loans for machinery purchases.

Table 22B: Use of Farm Improvement Loan by farm size

<u>Farmers using credit by quarters</u>	<u>Percentage use Farm Improvement loan</u>
1 12	58.33
2 66	53.03
3 96	66.67
4 128	71.88
5 88	65.91
6 73	72.60
7 50	68.00
8 42	80.95
Over 8 97	65.98
Totals 652	67.64

More than 80 per cent of the sample farmers who need credit for machinery purchases in Districts 1, 6, 14 and 15 use Farm Improvement loans; more than 70 per cent of the farmers in Districts 5, 7, 11 and 12 use Farm Improvement loans. Only half of the farmers in District 4 use Farm Improvement loans and only 48 per cent of the farmers in District 9 use Farm Improvement loans.

Table 22C: Distribution of Farm Improvement loan use by Wheat Pool districts

<u>Farmers using credit by districts</u>	<u>Percentage use Farm Improvement loan</u>
1 39	84.61
2 32	59.38
3 18	55.56
4 26	50.00
5 39	74.36
6 32	84.38
7 39	76.92
8 42	59.52
9 39	48.72
10 38	65.79
11 46	78.26
12 44	73.64
13 47	57.45
14 45	82.22
15 31	80.65
16 39	66.67
Unident. 56	57.14
Totals 652	67.64

23. Suitability of machinery

Question 23: Are all your machines suitable for the job required of them:
Yes ☐; No ☐.

If no give details.

Of the 887 sample farmers 64 per cent have suitable machinery compared with 80 per cent of the random selection. Of those who indicate machinery not suitable, some say it is too light in construction and will not stand up under their conditions; some say their machines are too difficult to adjust and many cite what they consider unsuitable characteristics of particular machines.

Table 23 A: Comparison of sample and random selection as to suitability of machinery

	<u>Machinery suitable</u>
Sample 887	64.4%
Random 41	80.5

More than three-quarters of the farmers on one quarter section find their machinery suitable but the farmers on other farm sizes indicate little difference between the attitudes of the smaller and larger farmers. They range by farm size between 60 and 67 per cent.

Table 23B: Relationship of suitability of machinery to farm size

<u>Total farmers by quarters</u>	<u>Machinery suitable</u>
1 18	77.78%
2 110	60.00
3 126	63.49
4 192	63.02
5 114	67.54
6 97	63.92
7 63	66.67
8 57	63.16
Over 8 110	66.36
Totals 887	64.37%

Eighty per cent of the sample farmers in District 14 have suitable machinery and 75 per cent of those in District 2; 70 per cent in Districts 4, 11 and 12 have suitable machinery. The least satisfied are sample farmers in District 16 where only 50 per cent say their machinery is suitable.

Table 23C: Distribution of suitability of machinery by Wheat Pool districts

Total farmers by districts		Machinery suitable
1	50	62.00 %
2	40	75.00
3	34	67.65
4	34	70.59
5	47	55.32
6	66	56.06
7	60	53.33
8	46	67.39
9	51	60.78
10	51	52.94
11	65	72.31
12	65	72.73
13	70	67.14
14	60	80.00
15	44	63.64
16	56	50.00
Unident.	58	70.69
Totals	887	64.37 %

24. Machinery Inventory

Question 24: Inventory of your farm machinery owned (state number of each piece of equipment in space 'N' or 'U' indicating whether it was New (N) or Used (U) when purchased. If none leave blank.

Tractors	N <input type="checkbox"/> U <input type="checkbox"/>	Harrows	N <input type="checkbox"/> U <input type="checkbox"/>	Grain Loaders	N <input type="checkbox"/> U <input type="checkbox"/>
Trucks	N <input type="checkbox"/> U <input type="checkbox"/>	Weed sprayers	N <input type="checkbox"/> U <input type="checkbox"/>	Grain cleaners	N <input type="checkbox"/> U <input type="checkbox"/>
Automobiles	N <input type="checkbox"/> U <input type="checkbox"/>	Rod weeders	N <input type="checkbox"/> U <input type="checkbox"/>	Grinder or ^{hammer} mills	N <input type="checkbox"/> U <input type="checkbox"/>
One-ways	N <input type="checkbox"/> U <input type="checkbox"/>	Combines	N <input type="checkbox"/> U <input type="checkbox"/>	Mowers (hay)	N <input type="checkbox"/> U <input type="checkbox"/>
Diskers	N <input type="checkbox"/> U <input type="checkbox"/>	Swathers	N <input type="checkbox"/> U <input type="checkbox"/>	Rakes (hay)	N <input type="checkbox"/> U <input type="checkbox"/>
Cultivators	N <input type="checkbox"/> U <input type="checkbox"/>	Binders	N <input type="checkbox"/> U <input type="checkbox"/>	Hay balers or forage harvesters	N <input type="checkbox"/> U <input type="checkbox"/>
Seed drills	N <input type="checkbox"/> U <input type="checkbox"/>	Threshers	N <input type="checkbox"/> U <input type="checkbox"/>	Hay pickup	N <input type="checkbox"/> U <input type="checkbox"/>

Tabulation of replies to the inventory question are organized to show the percentage of total farmers who own one, two, three or more machines new when purchased, and ownership of the same one, two and three machines second-hand when purchased. Only 829 replies were considered from the sample because it was decided to omit replies from farmers who declined to identify their Wheat Pool district.

Table 24A: Comparison of sample and random selection for machinery inventory 1960							
	Total reporting	Percentage of total farmers reporting new machines			Percentage of total farmers reporting second-hand machines		
		1 machine	2 machines	3 or more machines	1 machine	2 machines	3 or more machines
<u>Tractors</u>							
Sample	829	58.38	9.29	1.33	44.51	13.15	2.05
Random	41	58.29	4.88	-	41.46	12.20	-
<u>Trucks</u>							
Sample	829	37.15	3.26	0.12	45.72	7.84	1.09
Random	41	43.9	2.4	-	53.7	7.3	-
<u>Automobiles</u>							
Sample	829	44.74	0.48	0.24	42.34	0.97	-
Random	41	56.10	-	-	39.02	-	-
<u>One-ways</u>							
Sample	829	30.88	.12	-	33.90	2.90	0.12
Random	41	26.83	2.44	-	19.51	-	-
<u>Diskers</u>							
Sample	829	48.85	1.69	-	21.71	1.09	-
Random	41	58.54	2.44	-	21.95	2.44	-
<u>Cultivators</u>							
Sample	829	59.47	5.07	0.48	32.09	2.65	-
Random	41	65.85	-	-	34.14	2.44	-
<u>Seed drills</u>							
Sample	829	30.16	1.93	0.12	35.95	0.97	-
Random	41	34.15	2.44	-	29.27	-	-
<u>Harrows</u>							
Sample	829	51.51	2.29	0.12	37.64	2.17	0.24
Random	41	63.41	4.88	-	29.27	-	-
<u>Weed sprayers</u>							
Sample	829	58.14	0.24	-	13.51	-	-
Random	41	51.22	-	-	12.20	-	-
<u>Rod weedeaters</u>							
Sample	829	24.73	1.09	0.24	11.70	0.48	-
Random	41	17.07	-	-	21.95	-	-
<u>Combines</u>							
Sample	829	53.32	1.33	-	35.83	01.21	0.36
Random	41	53.66	-	-	43.90	-	-
<u>Swathers</u>							
Sample	829	48.36	0.60	-	30.15	0.48	-
Random	41	56.10	-	-	26.83	-	-
<u>Binders</u>							
Sample	829	12.55	0.24	-	30.88	0.12	-
Random	41	19.51	-	-	17.07	-	-
<u>Threshers</u>							
Sample	829	2.77	-	-	11.82	-	-
Random	41	2.44	-	-	7.32	-	-
<u>Grain loaders</u>							
Sample	829	65.37	8.56	2.41	19.54	0.96	0.12
Random	41	68.29	7.32	-	19.51	-	-
<u>Grain cleaners</u>							
Sample	829	31.60	1.57	-	18.70	0.84	-
Random	41	34.15	-	-	9.76	-	-
<u>Grinders or Hammer mills</u>							
Sample	829	37.27	2.41	1.21	30.28	0.72	-
Random	41	41.46	-	-	29.27	2.44	-
<u>Hay Mower</u>							
Sample	829	36.55	0.48	-	31.36	0.36	-
Random	41	43.90	-	-	24.39	-	-
<u>Hay Rakes</u>							
Sample	829	29.19	0.36	-	31.72	0.72	-
Random	41	21.95	-	-	24.39	-	-
<u>Balers</u>							
Sample	829	25.69	-	-	8.93	-	-
Random	41	29.27	-	-	2.43	-	-
<u>Hay Pickup</u>							
Sample	829	4.46	0.12	-	2.41	-	-
Random	41	2.44	-	-	-	-	-

By adding the percentage of farmers reporting new or second-hand machines on the basis of the above table, the sample farmers as a group may own at least one tractor but fewer than 100 per cent of the sample owns one of any of the other machines. On the other hand, the random selection farmers each may own at least one tractor and also one truck on the basis of reporting in the above table.

Table 24B considers the inventory reported by only the sample to show the relationship of farmers reporting ownership of each machine to the total number of farmers reporting. This shows, for example, more farmers own tractors than there are farmers reporting, but for all other machines fewer farmers cite ownership than there are farmers reporting.

Table 24B: Number of sample farmers reporting ownership of various machines together with the ratio of farmers reporting each machine to total number of farmers

Implement or machine	Total farmers	Report new machines				Report used machines				All farmers report- ing	Ratio
		3 or more			Total	3 or more			Total		
		One mach.	Two mach.	mach.	farmers	One mach.	Two mach.	mach.	farmers		
Tractors	829	484	77	11	572	369	109	17	495	1,067	1.28/1
Trucks	829	308	27	1	336	379	65	9	453	789	.95/1
Automobiles	829	371	4	2	377	351	8	-	359	736	.88/1
One-ways	829	256	1	-	257	281	24	1	306	563	.67/1
Diskers	829	405	14	-	419	180	9	-	189	608	.73/1
Cultivators	829	493	42	4	539	266	22	-	288	827	.99/1
Seed drills	829	250	16	1	267	298	8	-	306	573	.69/1
Harrows	829	427	19	1	447	312	18	2	332	779	.94/1
Sprayers	829	482	2	-	484	112	-	-	112	596	.72/1
Weeders	829	205	9	2	216	97	4	-	101	317	.38/1
Combines	829	442	11	-	453	297	10	3	310	763	.92/1
Swathers	829	401	5	-	406	250	4	-	254	660	.80/1
Binders	829	104	2	-	106	256	1	-	257	363	.44/1
Threshers	829	23	-	-	23	98	-	-	98	121	.15/1
Loaders	829	542	71	2	615	162	8	1	171	786	.95/1
Cleaners	829	262	13	-	275	155	7	-	162	437	.53/1
Grinders	829	309	2	1	312	251	6	-	257	569	.69/1
Hay mowers	829	303	4	-	307	260	3	-	263	570	.69/1
Hay rakes	829	242	3	-	245	263	6	-	269	514	.62/1
Hay balers	829	213	1	-	214	74	-	-	74	288	.35/1
Hay pickup	829	37	1	-	38	20	-	-	20	58	.07/1

The following tables indicate the relationship to farm size of ownership of both new and second-hand machines of each of the 21 kinds. They will be considered individually.

Tractors: More sample farmers own new tractors than second-hand tractors.

The survey shows little direct relationship between farm size and the ownership of one new tractor. However, more of the larger farmers own two new tractors than do smaller farmers. Only the larger farmers own three new tractors. The same kind of relationship holds for the ownership of second-hand tractors. Most of the farmers on one quarter report one second-hand tractor but among the farmers on the other farm sizes there is not so direct a relationship between farm size ownership of one second-hand tractor. However, there is a direct relationship between the ownership of two second-hand tractors and farm size, with more of the larger farmers owning two second-hand tractors than the smaller farmers. Only the larger farmers own three tractors or more.

Table 24C Tractors: Relationship of Tractor ownership to farm size *													
Farmers reporting by quarter sections		Farmers reporting new tractors						Farmers reporting second-hand tractors					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	6	35.29	-	-	-	-	12	70.58	1	5.88	-	-
2Q	105	53	50.48	4	3.81	-	-	50	47.62	6	5.71	-	-
3Q	120	66	55.00	7	5.83	-	-	61	50.83	12	10.00	-	-
4Q	183	118	64.48	10	5.46	2	1.09	70	38.25	21	11.48	2	1.09
5Q	104	68	65.38	6	5.77	-	-	54	51.92	12	11.54	1	0.96
6Q	87	48	55.17	8	9.20	2	2.30	37	42.53	15	17.24	1	1.15
7Q	58	39	67.24	8	13.79	-	-	28	48.28	7	12.07	-	-
8Q	51	28	54.90	16	31.37	-	-	21	41.18	11	21.57	-	-
Over 8Q	104	58	55.77	18	17.31	7	6.73	36	34.62	24	23.08	13	12.50
Totals	829	484	58.38	77	9.29	11	1.33	369	44.51	109	13.15	17	2.05

Trucks: More sample farmers own second-hand trucks than new trucks. More bigger farmers than smaller farmers have one new truck. There is, however not the same direct relationship between farm size and the ownership of one second-hand truck. Fewer farmers own two trucks, either new or second-hand, than own two tractors. There is also considerably less ownership of the third truck among the sample farmers.

Table 24C Trucks: Relationship of Truck ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting new trucks						Farmers reporting second-hand trucks					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	4	23.53	-	-	-	-	4	23.53	1	5.88	-	-
2Q	105	26	24.76	-	-	-	-	46	43.81	-	-	-	-
3Q	120	37	30.82	-	-	-	-	58	48.33	2	1.67	-	-
4Q	183	61	33.33	3	1.64	-	-	90	49.18	5	2.73	-	-
5Q	104	46	44.23	1	0.96	-	-	52	50.00	7	6.73	2	1.92
6Q	87	33	37.93	1	1.15	-	-	41	47.13	14	16.09	-	-
7Q	58	29	50.00	3	5.17	-	-	27	46.55	5	8.62	2	3.45
8Q	51	25	49.02	2	3.92	-	-	18	35.29	7	13.73	-	-
Over 8Q	104	47	45.19	17	16.35	1	0.96	43	41.35	24	23.08	5	4.81
Totals	829	308	37.15	27	3.26	1	0.12	379	45.72	65	7.84	9	1.09

Automobiles: Slightly more sample farmers own new cars than second-hand cars. In general, fewer of the smaller farmers buy new cars than buy second-hand ones, and more of the larger farmers buy new cars than buy second-hand ones. Very few farmers own more than one automobile, whether new or second-hand. None of the farmers own three second-hand cars although some of them own three new cars.

* Re figures 1, 2 and 3 in the heading of this table and of all subsequent tables relating to question 24 refer to ownership of one, two or three and more machines.

Table 24C Automobiles: Relationship of Automobile ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting new automobiles						Farmers reporting second-hand automobiles					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	4	23.53	-	-	-	-	10	58.82	-	-	-	-
2Q	105	23	21.90	-	-	-	-	51	48.57	-	-	-	-
3Q	120	41	34.17	-	-	-	-	61	50.83	-	-	-	-
4Q	183	79	43.17	-	-	1	0.55	76	41.53	1	.55	-	-
5Q	104	51	49.04	-	-	-	-	48	46.15	2	1.92	-	-
6Q	87	51	58.62	-	-	-	-	29	33.33	-	-	-	-
7Q	58	36	62.07	2	3.45	-	-	19	32.76	-	-	-	-
8Q	51	34	66.67	-	-	-	-	15	29.41	-	-	-	-
Over 8Q	104	52	50.00	2	1.92	1	0.96	42	40.38	5	4.81	-	-
Totals	829	371	44.75	4	0.48	2	0.24	351	42.34	8	0.97	0	0

One-ways: Slightly more sample farmers own second-hand one-ways than new one-ways. The survey indicates no direct relationship between farm size and the ownership of either new or second-hand one-ways. Some of the relatively small farmers report ownership of two second-hand one-ways but ownership of three one-ways, either new or second-hand, is limited to a single report from a farmer on four quarters.

Table 24C One-ways: Relationship of One-way ownership to farm size													
Farmers report- ing by quarter sections		Farmers reporting new one-ways						Farmers reporting second-hand one-ways					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	5	29.41	-	-	-	-	5	29.41	-	-	-	-
2Q	105	34	32.38	-	-	-	-	47	44.76	2	1.90	-	-
3Q	120	41	34.17	-	-	-	-	47	39.17	4	3.33	-	-
4Q	183	61	33.33	-	-	-	-	63	34.43	3	1.64	1	.55
5Q	104	31	29.81	-	-	-	-	26	25.00	4	3.85	-	-
6Q	87	22	25.29	-	-	-	-	27	31.03	3	3.45	-	-
7Q	58	13	22.41	-	-	-	-	18	31.03	-	-	-	-
8Q	51	21	41.18	-	-	-	-	15	29.41	1	1.96	-	-
Over 8Q	104	28	26.92	1	.96	-	-	33	31.73	7	6.73	-	-
Totals	829	256	30.88	1	0.12	-	-	281	33.90	24	2.90	1	0.12

Diskers: About twice as many sample farmers own new diskers as own second-hand ones. More of the larger farmers own new diskers than second-hand diskers and fewer of the smaller farmers own new diskers. But in the ownership of second-hand diskers there is little direct relationship to farm size. None of the farmers own three diskers.

Table 24C Diskers: Relationship of Disker ownership to farm size													
Farmers report- ing by quarter sections		Farmers reporting new diskers						Farmers reporting second-hand diskers					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	7	41.18	-	-	-	-	5	29.41	-	-	-	-
2Q	105	24	22.86	-	-	-	-	19	18.10	-	-	-	-
3Q	120	45	37.50	1	.83	-	-	23	19.17	-	-	-	-
4Q	183	86	46.99	1	.55	-	-	44	24.04	-	-	-	-
5Q	104	58	55.77	-	-	-	-	26	25.00	1	0.96	-	-
6Q	87	52	59.77	2	2.30	-	-	19	21.84	-	-	-	-
7Q	58	41	70.69	-	-	-	-	7	12.07	1	1.72	-	-
8Q	51	30	58.82	-	-	-	-	15	29.41	-	-	-	-
Over 8Q	104	62	59.62	10	9.62	-	-	22	21.15	7	6.73	-	-
Totals	829	405	48.85	14	1.69	-	-	180	21.71	9	1.09	-	-

Cultivators: Twice as many sample farmers own new cultivators as own second-hand cultivators. More of the larger farmers own new cultivators than own second-hand ones, and of the smaller farmers there is also a tendency for owning more of the new cultivators than second-hand ones except for farmers on one quarter only. None of the farmers own three second-hand cultivators but a few of them own three new cultivators, particularly the larger farmers.

Table 24C Cultivators: Relationship of Cultivator ownership to farm size												
Farmers report- ing by quarter sections	Farmers reporting new cultivators						Farmers reporting second-hand cultivators					
	1		2		3		1		2		3	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	3	17.65	--	--	--	8	47.06	1	5.88	--	--
2Q	105	45	42.86	1	0.95	--	50	47.62	--	--	--	--
3Q	120	57	47.50	4	3.33	--	46	38.33	5	4.17	--	--
4Q	183	126	68.85	6	3.28	--	56	30.60	3	1.64	--	--
5Q	104	68	65.38	7	6.73	--	26	25.00	2	1.92	--	--
6Q	87	51	58.62	3	3.45	1	1.15	26	29.89	5	5.75	--
7Q	58	40	68.97	3	5.17	--	15	25.86	2	3.45	--	--
8Q	51	38	74.51	3	5.88	1	1.96	12	23.53	--	--	--
Over 8Q	104	65	62.50	15	14.42	2	1.92	27	25.96	4	3.85	--
Totals	829	493	59.47	42	5.07	4	0.48	266	32.09	22	2.65	--

Seed Drills: More sample farmers own second-hand seed drills than new seed drills. Among smaller farmers more own second-hand seed drills than own new seed drills but among the large farmers, that is the very large farmers, there is a slight tendency for them to own more new seed drills than second-hand seed drills. No farmers own three second-hand seed drills, and one farmer who farms more than eight quarters owns three new seed drills.

Table 24C Seed Drills: Relationship of Seed Drill ownership to farm size												
Farmers report- ing by quarter sections	Farmers reporting new seed drills						Farmers reporting second-hand seed drills					
	1		2		3		1		2		3	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	--	--	--	--	--	12	70.58	--	--	--	--
2Q	105	34	32.38	1	0.95	--	38	36.19	--	--	--	--
3Q	120	42	35.00	1	0.83	--	49	40.83	2	1.67	--	--
4Q	183	55	30.05	3	1.64	--	66	36.07	1	0.55	--	--
5Q	104	30	28.85	1	0.96	--	32	30.77	--	--	--	--
6Q	87	20	22.99	1	1.15	--	30	34.48	2	2.30	--	--
7Q	58	15	25.86	--	--	--	20	34.48	--	--	--	--
8Q	51	20	39.22	1	1.96	--	19	37.25	1	1.96	--	--
Over 8Q	104	34	32.69	8	7.69	1	0.96	32	30.77	2	1.92	--
Totals	829	250	30.16	16	1.93	1	0.12	298	35.95	8	0.97	--

Harrows: The sample farmers own more new harrows than second-hand harrows.

Fewer of the smaller farmers own new harrows than do larger farmers and in a general way more of the smaller farmers own second-hand harrows than new harrows. The relationship of harrow ownership to farm size is by no means as direct as, for example, the relationship of truck ownership to farm size.

Table 24C Harrows: Relationship of Harrow ownership to farm size													
Farmers report- ing by quarter sections	Farmers reporting new harrows						Farmers reporting second-hand harrows						
	No. ¹ %		No. ² %		No. ³ %		No. ¹ %		No. ² %		No. ³ %		
1Q	17	4	23.53	-	-	-	-	10	58.82	-	-	-	-
2Q	105	49	46.67	1	0.95	1	0.95	46	43.81	2	1.90	-	-
3Q	120	56	46.67	2	1.67	-	-	62	51.67	3	2.50	-	-
4Q	183	101	55.19	3	1.64	-	-	61	33.33	3	1.64	1	0.55
5Q	104	61	58.65	-	-	-	-	35	33.65	2	1.92	-	-
6Q	87	44	50.57	4	4.60	-	-	28	32.18	3	3.45	-	-
7Q	58	33	56.90	1	1.72	-	-	22	37.93	-	-	-	-
8Q	51	27	52.94	2	3.92	-	-	16	31.37	1	1.96	-	-
Over 8Q	104	52	50.00	6	5.77	-	-	32	30.77	4	3.85	1	0.96
Totals	829	427	51.51	19	2.29	1	0.12	312	37.64	18	2.17	2	0.24

Weed Sprayers: A much larger percentage of the sample farmers own new weed sprayers than second-hand weed sprayers and there is little evidence, except among the very big farmers, of ownership of more than one weed sprayer per farm. More of the larger farmers own new weed sprayers than do the smaller farmers. There is also some indication that more of the larger farmers own second-hand weed sprayers. On the whole the incidence of ownership of weed sprayers of any kind is directly related to farm size with fewer of the smaller farmers having any kind of a weed sprayer and many more of the larger farmers having both new and second-hand.

Table 24C Weed Sprayers: Relationship of Weed Sprayer ownership to farm size

Farmers reporting by quarter sections	Farmers reporting new weed sprayers						Farmers reporting second-hand weed sprayers					
	1		2		3		1		2		3	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	5	29.51	-	-	-	2	11.76	-	-	-	-
2Q	105	46	43.81	-	-	-	11	10.48	-	-	-	-
3Q	120	64	53.33	-	-	-	11	9.17	-	-	-	-
4Q	183	110	60.11	-	-	-	20	10.93	-	-	-	-
5Q	104	68	65.38	-	-	-	16	15.38	-	-	-	-
6Q	87	52	59.77	-	-	-	14	16.09	-	-	-	-
7Q	58	37	63.79	-	-	-	8	13.79	-	-	-	-
8Q	51	34	66.67	1	1.96	-	9	17.65	-	-	-	-
Over 8Q	104	66	63.46	1	.96	-	21	20.19	-	-	-	-
Totals	829	482	58.14	2	.24	-	112	13.51	-	-	-	-

Rod Weeders: More sample farmers own new rod weeders than own second-hand weeders. In general, more of the larger farmers own new rod weeders than do smaller farmers and more of the smaller farmers own second-hand rod weeders than do larger farmers. Some farmers with four quarters or more own two rod weeders and a few own three.

Table 24C Rod Weeders: Relationship of Rod Weeder ownership to farm size

Farmers reporting by quarter sections	Farmers reporting new rod weeders						Farmers reporting second-hand rod weeders					
	1		2		3		1		2		3	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	1	5.88	-	-	-	3	17.65	-	-	-	-
2Q	105	13	12.38	-	-	-	6	5.71	-	-	-	-
3Q	120	21	17.50	-	-	-	18	15.00	-	-	-	-
4Q	183	35	19.13	1	0.55	-	22	12.02	1	0.55	-	-
5Q	104	32	30.77	1	0.96	-	12	11.54	-	-	-	-
6Q	87	28	32.18	2	2.30	-	14	16.09	2	2.30	-	-
7Q	58	23	39.66	-	-	1	1.72	4	6.90	-	-	-
8Q	51	14	27.45	-	-	-	4	7.84	-	-	-	-
Over 8Q	104	38	36.54	5	4.81	1	0.96	14	13.46	1	0.96	-
Totals	829	205	24.73	9	7.09	2	0.24	97	11.70	4	0.48	-

Grain Combines: More sample farmers own new grain combines than own second-hand ones. More of the larger farmers tend to own one new grain combine than do the smaller farmers and more of the smaller farmers tend to own one second-hand grain combine than do the larger farmers. A few farmers own two new grain combines but none own three. Some farmers own two and some three second-hand grain combines.

Table 24C Grain Combines: Relationship of Grain Combine ownership to Farm Size												
Farmers reporting by quarter sections	Farmers reporting new grain combines						Farmers reporting second-hand grain combines					
	1		2		3		1		2		3	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	2	11.76	-	-	-	10	58.82	-	-	-	-
2Q	105	33	31.43	-	-	-	41	39.05	-	-	-	-
3Q	120	52	43.33	-	-	-	48	40.00	1	00.83	-	-
4Q	183	96	52.46	2	01.09	-	71	38.80	1	00.55	-	-
5Q	183	63	60.58	-	-	-	34	32.69	2	01.92	-	-
6Q	104	52	59.77	1	01.15	-	30	34.48	3	03.45	1	01.15
7Q	58	39	67.24	1	01.72	-	18	31.03	-	-	-	-
8Q	51	43	84.31	-	-	-	9	17.65	-	-	-	-
Over 8Q	104	62	59.62	7	06.73	-	36	34.62	2	02.88	2	01.92
Totals	829	442	53.32	11	01.33	-	297	35.83	10	01.21	3	00.36

Swathers: More sample farmers own new swathers than second-hand swathers.

More of the larger farmers own new swathers than do smaller farmers and in general, more smaller farmers own second-hand swathers than do the bigger farmers, although the spread between the smaller farmers and the larger farmers for second-hand swathers is not nearly as great as for new swathers.

Table 24C Swathers: Relationship of Swather ownership to farm size												
Farmers reporting by quarter sections	Farmers reporting new swathers						Farmers reporting second-hand swathers					
	1		2		3		1		2		3	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	1	5.88	-	-	-	6	35.29	-	-	-	-
2Q	105	24	22.86	-	-	-	31	29.52	-	-	-	-
3Q	120	53	44.17	-	-	-	32	26.67	-	-	-	-
4Q	183	79	43.17	-	-	-	61	33.33	-	-	-	-
5Q	104	59	56.73	-	-	-	30	28.85	-	-	-	-
6Q	87	46	52.87	-	-	-	32	36.78	2	2.30	-	-
7Q	58	38	65.52	-	-	-	17	29.31	-	-	-	-
8Q	51	35	68.63	-	-	-	12	23.53	-	-	-	-
Over 8Q	104	66	63.46	5	4.81	-	29	27.88	2	1.92	-	-
Totals	829	401	48.36	5	4.81	-	250	30.15	4	0.48	-	-

Binders: Sample farmers own more second-hand binders than own new binders and in general more of the smaller farmers own binders both new and second-hand than do larger farmers.

Table 24C Binders: Relationship of Binder ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting New binders						Farmers reporting second-hand binders					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	3	17.65	-	-	-	-	6	35.29	-	-	-	-
2Q	105	12	11.43	-	-	-	-	38	36.19	-	-	-	-
3Q	120	16	13.33	-	-	-	-	47	39.17	-	-	-	-
4Q	183	26	14.21	2	1.09	-	-	55	30.05	-	-	-	-
5Q	104	10	9.62	-	-	-	-	28	26.92	-	-	-	-
6Q	87	9	10.34	-	-	-	-	28	32.18	1	1.15	-	-
7Q	58	9	15.52	-	-	-	-	10	17.24	-	-	-	-
8Q	51	6	11.76	-	-	-	-	15	29.41	-	-	-	-
Over 8Q	104	13	12.50	-	-	-	-	29	27.88	-	-	-	-
Totals	829	104	12.55	2	0.24	-	-	256	30.88	1	0.12	-	-

Threshers: More sample farmers own second-hand threshers than own new threshers but in total there are just slightly more than 10 per cent of the farmers who own threshing machines of any kind. There is little direct relationship between thresher ownership and farm size.

Table 24C Threshers: Relationship of Thresher Ownership to farm size										
Farmers report- ing by quarter sections	Farmers reporting new threshers						Farmers reporting second-hand threshers			
	1		2		3		1		2	
	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	-	-	-	-	-	2	11.76	-	-
2Q	105	2	1.90	-	-	-	11	10.48	-	-
3Q	120	4	3.33	-	-	-	21	17.50	-	-
4Q	183	6	3.28	-	-	-	16	8.74	-	-
5Q	104	1	.96	-	-	-	15	14.42	-	-
6Q	87	5	5.75	-	-	-	8	9.20	-	-
7Q	58	1	1.72	-	-	-	5	8.62	-	-
8Q	51	2	3.92	-	-	-	7	13.73	-	-
Over 8Q	104	2	1.92	-	-	-	13	12.50	-	-
Totals	829	23	2.77	-	-	-	98	11.82	-	-

Grain Loaders: More than two-thirds of the sample own new grain loaders but only about 20 per cent own second-hand grain loaders. The larger farmers tend to own more new grain loaders than do smaller farmers but there is no direct relationship between ownership of second-hand grain loaders and farm size. For example, 23 per cent of the farmers on one quarter own one second-hand grain loader while 25 per cent of the farmers on more than eight quarters own one second-hand grain loader.

Table 24C Grain Loaders: Relationship of Grain Loader ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting new grain loaders						Farmers reporting second-hand grain loaders					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1 Q	17	7	41.18	-	-	-	-	4	23.54	-	-	-	-
2 Q	105	59	56.18	2	1.90	-	-	19	18.09	-	-	-	-
3 Q	120	77	64.16	2	1.66	-	-	21	17.50	1	.83	-	-
4 Q	183	124	67.75	8	4.37	-	-	37	20.21	1	.55	-	-
5 Q	104	76	73.07	10	9.62	-	-	15	14.42	1	.96	-	-
6 Q	87	60	68.97	10	11.49	-	-	20	22.99	-	-	-	-
7 Q	58	44	75.86	9	15.51	-	-	8	13.79	1	1.72	-	-
8 Q	51	32	62.75	8	15.69	-	-	11	21.57	-	-	1	1.96
Over 8Q	104	63	60.17	22	21.15	2	1.92	27	26.96	4	3.84	-	-
Totals	829	542	65.38	71	8.56	2	0.24	162	19.54	8	0.97	1	0.12

Grain Cleaners: More sample farmers own new grain cleaners than own second-hand grain cleaners. The larger the farmer the more likelihood there is to own at least one new grain cleaner but ownership of second-hand grain cleaners is not nearly as directly related to farm size.

Table 24C Grain Cleaners: Relationship of Grain Cleaner ownership to farm size										
Farmers report- ing by quarter sections	Farmers reporting new grain cleaners						Farmers reporting second-hand grain cleaners			
	1		2		3		1		2	
	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	4	23.53	-	-	-	5	29.41	-	-
2Q	105	24	22.86	1	.95	-	14	13.33	1	.95
3Q	120	31	25.83	-	-	-	20	16.67	-	-
4Q	183	55	30.05	4	2.19	-	38	20.77	1	.55
5Q	104	40	38.46	1	.96	-	18	17.31	1	.96
6Q	87	26	29.89	2	2.30	-	18	20.69	1	1.15
7Q	58	23	39.66	-	-	-	12	20.69	-	-
8Q	51	18	35.29	1	1.96	-	12	23.53	-	-
Over 8Q	104	41	39.42	4	3.85	-	18	17.31	2	1.92
Totals	829	262	31.60	13	1.57	-	155	19.18	7	0.84

Grinders or Hammer Mills: Slightly more sample farmers own new grinders than own second-hand grinders and in general more of the larger farmers own new grinders than do smaller farmers, and more of the smaller farmers own second-hand grinders than do larger farmers. There is less distinction for the ownership of second-hand grinders than for the ownership of new grinders.

Table 24C Grinders: Relationship of Grinder ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting new grinders						Farmers reporting second-hand grinders					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	4	23.53	-	-	-	-	6	35.29	-	-	-	-
2Q	105	30	28.57	-	-	-	-	33	31.43	-	-	-	-
3Q	120	41	34.17	-	-	-	-	33	27.50	1	.83	-	-
4Q	183	69	37.70	-	-	-	-	64	34.97	-	-	-	-
5Q	104	41	39.42	-	-	-	-	27	25.10	-	-	-	-
6Q	87	28	32.18	-	-	1	1.15	24	27.59	2	2.30	-	-
7Q	58	27	46.55	-	-	-	-	18	31.03	-	-	-	-
8Q	51	23	45.10	-	-	-	-	15	29.41	1	1.96	-	-
Over 8Q	104	46	44.32	2	1.92	-	-	31	21.19	2	1.92	-	-
Totals	829	309	37.27	2	0.24	1	0.12	251	30.28	6	0.72	-	-

Hay Mowers: Slightly more sample farmers own new hay mowers than own second-hand hay mowers. More of the larger farmers own new hay mowers than own second-hand ones and more of the smaller farmers own second-hand hay mowers than own new ones. None of the farmers own three hay mowers and only a very few own two.

Table 24C Hay Mowers: Relationship of Hay mower ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting new hay mowers						Farmers reporting second-hand hay mowers					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	3	17.64	-	-	-	-	9	52.94	-	-	-	-
2Q	105	17	16.19	-	-	-	-	47	44.76	-	-	-	-
3Q	120	36	30.00	1	.83	-	-	41	34.17	1	.83	-	-
4Q	183	57	31.15	1	.55	-	-	63	34.43	-	-	-	-
5Q	104	41	39.42	1	.96	-	-	22	21.15	1	.96	-	-
6Q	87	31	35.63	-	-	-	-	35	40.23	-	-	-	-
7Q	58	37	63.79	-	-	-	-	9	15.52	-	-	-	-
8Q	51	31	60.78	-	-	-	-	12	23.53	-	-	-	-
Over 8Q	104	50	48.07	1	.96	-	-	22	21.15	1	.96	-	-
Totals	829	303	36.55	4	0.48	-	-	260	31.36	3	0.36	-	-

Hay Rakes: More sample farmers own second-hand hay rakes than own new ones. None of the farmers on one quarter own new hay rakes but more than half of them own second-hand hay rakes. More of the farmers on the larger farms own new hay rakes and more of the farmers on the smaller farms own second-hand hay rakes. None of the farmers own three hay rakes.

Table 24C Hay Rakes: Relationship of Hay Rake ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting new hay rakes						Farmers reporting second-hand hay rakes					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	-	-	-	-	-	-	10	58.82	-	-	-	-
2Q	105	15	14.29	-	-	-	-	47	44.76	-	-	-	-
3Q	120	25	20.83	-	-	-	-	49	40.83	-	-	-	-
4Q	183	42	22.95	1	.55	-	-	64	34.97	-	-	-	-
5Q	104	37	35.58	-	-	-	-	18	17.31	2	1.92	-	-
6Q	87	25	28.74	1	1.15	-	-	30	34.48	2	2.30	-	-
7Q	58	27	46.55	-	-	-	-	13	22.41	-	-	-	-
8Q	51	23	45.10	1	1.96	-	-	14	27.45	-	-	-	-
Over 8Q	104	48	46.15	-	-	-	-	18	17.39	2	1.92	-	-
Totals	829	242	29.19	3	0.36	-	-	263	31.72	6	0.72	-	-

Hay Balers: About a quarter of the sample farmers own new hay balers. Fewer than 10 per cent of them own second-hand hay balers. More of the larger farmers own hay balers than do smaller farmers. Among those who own second-hand hay balers there is not nearly as direct a relationship to farm size. None of the farmers own three hay balers and only one farmer who farms more than eight quarters owns two hay balers.

Table 24C Hay Balers: Relationship of Hay Baler ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting new hay balers						Farmers reporting second-hand hay balers					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	2	11.76	-	-	-	-	2	11.76	-	-	-	-
2Q	105	9	8.57	-	-	-	-	5	4.76	-	-	-	-
3Q	120	25	20.83	-	-	-	-	9	7.50	-	-	-	-
4Q	183	38	20.77	-	-	-	-	15	8.20	-	-	-	-
5Q	104	30	28.85	-	-	-	-	13	12.50	-	-	-	-
6Q	87	23	26.44	-	-	-	-	6	6.90	-	-	-	-
7Q	58	17	29.31	-	-	-	-	9	15.52	-	-	-	-
8Q	51	24	47.06	-	-	-	-	7	13.73	-	-	-	-
Over 8Q	104	45	43.27	1	0.96	-	*	8	7.69	-	-	-	-
Totals	829	213	25.69	1	0.12	-	-	74	8.93	-	-	-	-

Hay Pickup: Few sample farmers in total own hay pickups but more own new pickups than second-hand ones. There is a slight tendency for more of the larger farmers to own a new hay pickup than smaller farmers, but ownership of second-hand hay pickups is not directly related to farm size.

Table 24C Hay Pickup: Relationship of Hay Pickup ownership to farm size													
Farmers reporting by quarter sections		Farmers reporting new hay pickups						Farmers reporting second-hand hay pickups					
		1		2		3		1		2		3	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1Q	17	-	-	-	-	-	-	-	-	-	-	-	-
2Q	105	1	.95	-	-	-	-	3	2.86	-	-	-	-
3Q	120	5	4.17	-	-	-	-	1	.83	-	-	-	-
4Q	183	6	3.28	1	.55	-	-	7	3.83	-	-	-	-
5Q	104	4	3.85	-	-	-	-	-	-	-	-	-	-
6Q	87	4	4.60	-	-	-	-	2	2.30	-	-	-	-
7Q	58	4	6.90	-	-	-	-	1	1.72	-	-	-	-
8Q	51	3	5.88	-	-	-	-	3	5.88	-	-	-	-
Over 8Q	104	10	9.62	-	-	-	-	3	2.88	-	-	-	-
Totals	829	37	4.46	1	0.12	-	-	20	2.41	-	-	-	-

The following tables show the distribution of new and second-hand machinery inventory by Wheat Pool district. As the above tables show machinery by farm size the following tables indicate the percentage of farmers in each district who own one, two, three or more new and second-hand machines for each of the 21 kinds of machinery.

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Table 24D: Distribution of machine ownership by Wheat Pool districts

Tractors	Replies by district		Percentage of farmers reporting new machines			Percentage of farmers reporting second-hand machines		
	1	2	3	1	2	3		
1	50	52.00	10.00	-	56.00	10.00	4.00	
2	40	55.00	12.50	2.50	45.00	5.00	-	
3	34	52.94	11.76	2.94	35.29	17.65	5.88	
4	34	55.88	5.88	-	44.12	14.71	2.94	
5	47	65.96	6.38	2.13	34.04	12.77	2.13	
6	66	56.06	18.18	-	42.42	15.15	3.03	
7	60	70.00	8.33	1.67	43.33	11.67	-	
8	46	54.35	10.87	2.17	47.83	13.04	-	
9	51	62.75	3.92	-	54.90	11.76	3.92	
10	51	54.90	5.88	3.92	41.18	13.73	3.92	
11	65	61.54	9.23	1.54	41.54	13.85	1.54	
12	55	52.73	7.27	1.82	47.27	16.36	1.82	
13	70	67.14	7.14	2.86	41.43	11.43	-	
14	60	53.33	15.00	-	36.67	16.67	3.33	
15	44	52.27	13.64	-	59.09	6.82	2.77	
16	56	58.93	1.79	-	44.64	17.86	-	
Totals	829	58.38	9.29	1.33	44.51	13.15	2.05	
Trucks	1	50	26.00	2.00	-	40.00	6.00	2.00
	2	40	25.00	2.50	-	50.00	15.00	2.50
	3	34	44.12	2.94	-	20.59	32.35	5.88
	4	34	47.06	8.82	-	47.06	11.76	-
	5	47	38.30	6.38	-	57.45	8.51	4.17
	6	66	48.48	7.58	-	37.88	7.58	-
	7	60	35.00	-	-	40.00	1.67	-
	8	46	19.57	-	-	41.30	-	-
	9	51	17.65	-	-	56.86	9.80	-
	10	51	43.14	-	-	52.94	11.76	1.96
	11	65	52.31	10.77	-	53.85	9.23	1.54
	12	55	27.27	5.45	-	47.27	14.46	-
	13	70	51.43	2.86	-	42.86	4.29	-
	14	60	38.33	-	-	36.67	3.33	-
	15	44	43.18	-	-	45.45	-	2.27
	16	56	28.57	1.79	1.79	57.14	1.79	-
Totals	829	37.15	3.26	0.12	45.72	7.84	1.09	
Automobiles	1	50	32.00	-	-	52.00	-	-
	2	40	45.00	-	2.5	37.50	-	-
	3	34	55.88	-	-	38.24	-	-
	4	34	52.94	-	-	35.29	-	-
	5	47	40.43	2.13	-	53.19	-	-
	6	66	59.09	1.52	1.52	37.88	1.52	-
	7	60	36.67	1.67	-	41.67	1.67	-
	8	46	43.48	-	-	45.65	-	-
	9	51	37.25	-	-	45.10	-	-
	10	51	43.14	-	-	47.06	-	-
	11	65	46.15	-	-	40.00	1.54	-
	12	55	50.91	1.82	-	38.18	3.64	-
	13	70	61.43	-	-	32.86	1.43	-
	14	60	33.33	-	-	48.33	1.67	-
	15	44	43.18	-	-	31.82	2.27	-
	16	56	33.93	-	-	51.79	-	-
Totals	829	44.75	0.48	0.24	42.34	0.97	-	

Table 24D: Distribution of machine ownership by Wheat Pool districts

		Replies by district	Percentage of farmers reporting new machines			Percentage of farmers re- porting second-hand machines		
			1	2	3	1	2	3
<u>One-ways</u>	1	50	28.00	-	-	44.00	2.00	-
	2	40	37.50	-	-	35.00	5.00	-
	3	34	32.35	-	-	29.41	-	-
	4	34	14.71	2.94	-	29.41	5.88	-
	5	47	25.53	-	-	27.66	-	-
	6	66	31.82	-	-	27.27	1.52	-
	7	60	48.33	-	-	30.00	3.33	-
	8	46	36.96	-	-	34.78	2.17	2.17
	9	51	29.41	-	-	43.13	1.96	-
	10	51	47.06	-	-	35.29	1.96	-
	11	65	20.00	-	-	26.15	4.62	-
	12	55	23.64	-	-	41.82	5.45	-
	13	70	34.29	-	-	37.14	1.43	-
	14	60	33.33	-	-	35.00	1.67	-
	15	44	27.27	-	-	29.55	4.55	-
	16	56	26.79	-	-	35.71	5.36	-
Totals		829	30.88	0.12	-	33.90	2.90	0.12
<u>Diskers</u>	1	50	38.00	2.0	-	28.00	-	-
	2	40	52.50	2.5	-	25.00	-	-
	3	34	61.76	8.82	-	20.59	2.94	-
	4	34	52.94	2.94	-	29.41	-	-
	5	47	63.83	2.13	-	27.66	2.13	-
	6	66	53.03	4.55	-	33.33	3.03	-
	7	60	33.33	-	-	20.00	-	-
	8	46	41.30	-	-	13.04	-	-
	9	51	47.06	-	-	15.69	1.96	-
	10	51	52.94	3.92	-	15.69	1.96	-
	11	65	70.77	1.54	-	26.15	1.54	-
	12	55	50.91	-	-	20.00	1.82	-
	13	70	51.43	-	-	20.00	-	-
	14	60	45.0	-	-	18.33	-	-
	15	44	50.0	-	-	13.64	-	-
	16	56	21.43	1.79	-	19.64	1.79	-
Totals		829	48.85	1.69	-	21.71	1.09	-
<u>Cultivators</u>	1	50	60.00	2.00	-	36.00	4.00	-
	2	40	60.00	-	-	27.50	-	-
	3	34	67.65	8.82	-	26.47	5.88	-
	4	34	47.06	5.88	-	20.59	2.94	-
	5	47	68.09	6.38	-	21.28	2.13	-
	6	66	63.64	3.03	3.03	36.36	3.03	-
	7	60	61.67	3.33	-	35.00	6.67	-
	8	46	54.35	6.52	-	34.78	6.52	-
	9	51	54.90	5.88	-	41.18	1.96	-
	10	51	49.02	7.84	-	31.37	-	-
	11	65	73.85	4.62	-	23.08	1.54	-
	12	55	49.09	7.27	1.82	36.36	1.82	-
	13	70	68.57	8.57	1.82	25.71	-	-
	14	60	61.67	1.67	-	31.67	6.67	-
	15	44	52.27	6.82	-	40.91	-	-
	16	56	50.00	3.57	-	41.07	-	-
Totals		829	59.47	5.07	0.48	32.09	2.65	-

Table 24D: Distribution of machine ownership by Wheat Pool districts

Table 44: Distribution of Machine Ownership by Machine Type and District								
	Replies by district		Percentage of farmers reporting new machines			Percentage of farmers reporting second-hand machines		
			1	2	3	1	2	3
Seed Drills:	1	50	18.00	2.00	-	48.00	2.00	-
	2	40	10.00	2.50	-	30.00	-	-
	3	34	26.47	-	-	17.65	-	-
	4	34	20.59	-	-	47.06	-	-
	5	47	23.40	2.13	-	29.79	-	-
	6	66	22.73	3.03	-	42.42	-	-
	7	60	43.33	-	-	33.33	1.67	-
	8	46	43.48	-	-	41.30	-	-
	9	51	31.37	-	-	43.14	1.96	-
	10	51	27.45	3.92	1.96	27.45	-	-
	11	65	9.23	1.54	-	24.62	-	-
	12	55	20.00	1.82	-	34.55	-	-
	13	70	51.43	4.29	-	37.14	1.43	-
	14	60	45.00	1.67	-	30.33	1.67	-
	15	44	40.91	-	-	45.45	2.27	-
	16	56	37.50	5.36	-	33.93	3.57	-
Totals	829	30.16	1.93	0.12		35.95	0.97	-
Harrows	1	50	48.00	8.00	-	34.00	4.00	-
	2	40	27.50	-	-	52.50	-	-
	3	34	32.35	-	-	35.29	-	2.94
	4	34	41.18	-	-	29.41	-	-
	5	47	53.19	-	-	44.68	2.13	-
	6	66	59.09	1.52	-	37.88	4.55	1.52
	7	60	58.33	3.33	-	38.33	-	-
	8	46	56.52	2.17	-	30.43	6.52	-
	9	51	41.18	-	-	54.90	7.84	-
	10	51	43.14	3.92	-	29.41	-	-
	11	65	61.54	-	-	32.31	-	-
	12	55	60.00	3.64	-	32.73	1.82	-
	13	70	58.57	4.29	-	31.43	1.43	-
	14	60	61.67	3.33	-	33.33	1.67	-
	15	44	54.55	2.27	-	43.18	-	-
	16	56	42.86	1.79	1.79	46.43	3.57	-
Totals	829	51.51	2.29	0.12		37.64	2.17	0.24
Weed Sprayers	1	50	48.00	-	-	18.00	-	-
	2	40	65.00	-	-	12.50	-	-
	3	34	70.59	-	-	8.82	-	-
	4	34	35.29	-	-	17.65	-	-
	5	47	55.32	-	-	17.02	-	-
	6	66	60.61	1.52	-	12.12	-	-
	7	60	66.67	-	-	5.00	-	-
	8	46	54.35	-	-	13.04	-	-
	9	51	45.10	-	-	19.61	-	-
	10	51	68.63	-	-	11.76	-	-
	11	65	61.54	-	-	13.85	-	-
	12	55	61.82	-	-	18.18	-	-
	13	70	68.57	1.43	-	12.86	-	-
	14	60	56.67	-	-	11.67	-	-
	15	44	50.00	-	-	18.18	-	-
	16	56	51.79	-	-	8.93	-	-
Totals	829	58.14	0.24	-		13.51	-	-

Table 24D: Distribution of machine ownership by Wheat Pool districts

		Replies by district	Percentage of farmers reporting new machines		Percentage of farmers re- porting second-hand machines			
			1	2	3	1	2	3
<u>Rod Weeders</u>	1	50	6.00	-	-	4.00	-	-
	2	40	7.50	-	-	7.50	-	-
	3	34	26.47	-	2.94	8.82	2.94	-
	4	34	26.47	2.94	-	20.59	-	-
	5	47	27.66	2.13	-	14.89	-	-
	6	66	53.03	3.03	-	16.66	1.52	-
	7	60	21.66	-	-	16.66	-	-
	8	46	21.74	-	-	6.52	-	-
	9	51	29.41	1.96	-	16.69	1.96	-
	10	51	33.33	3.92	-	3.82	1.96	-
	11	65	50.77	1.54	-	23.08	-	-
	12	55	18.18	-	-	3.64	-	-
	13	70	25.71	1.43	1.43	11.43	-	-
	14	60	16.66	-	-	16.66	-	-
	15	44	6.82	-	-	4.55	-	-
	16	56	7.14	-	-	7.14	-	-
	Totals	829	24.73	1.09	0.24	11.70	0.48	-
<u>Grain Combines</u>	1	50	54.00	02.0	-	42.00	02.0	-
	2	40	55.00	-	-	30.00	-	-
	3	34	61.76	-	-	26.47	02.94	-
	4	34	55.88	-	-	44.12	-	-
	5	47	63.83	-	-	36.17	-	-
	6	66	59.09	01.52	-	36.36	01.52	01.52
	7	60	55.00	-	-	30.00	-	-
	8	46	54.35	02.17	-	34.78	-	-
	9	51	43.14	-	-	39.22	03.92	-
	10	51	43.14	05.88	-	41.18	01.96	-
	11	65	52.31	01.54	-	36.92	01.54	-
	12	55	49.09	01.82	-	36.36	01.82	01.82
	13	70	58.57	-	-	34.29	-	-
	14	60	56.67	01.67	-	36.67	-	-
	15	44	61.36	-	-	25.00	-	02.29
	16	56	33.93	03.57	-	41.07	03.57	-
	Totals	829	53.32	01.33	-	35.83	01.21	0.36
<u>Swathers</u>	1	50	50.00	2.00	-	40.00	-	-
	2	40	55.00	-	-	25.00	-	-
	3	34	44.12	-	-	20.59	-	-
	4	34	52.94	-	-	35.29	-	-
	5	47	53.19	-	-	36.17	2.13	-
	6	66	57.58	3.03	-	33.33	3.03	-
	7	60	51.67	-	-	26.67	-	-
	8	46	45.65	-	-	28.26	-	-
	9	51	25.49	-	-	25.49	-	-
	10	51	52.94	1.96	-	31.37	-	-
	11	65	58.46	1.54	-	35.38	-	-
	12	55	50.91	-	-	36.36	-	-
	13	70	41.43	-	-	21.43	1.43	-
	14	60	55.00	-	-	23.33	-	-
	15	44	43.18	-	-	31.82	-	-
	16	56	33.93	-	-	32.14	-	-
	Totals	829	48.36	0.60	-	30.15	0.48	-

Table 24D: Distribution of machine ownership by Wheat Pool districts

		Replies by district	Percentage of farmers reporting new machines			Percentage of farmers reporting second-hand machines		
			<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>2</u>	<u>3</u>
<u>Binders</u>	1	50	6.00	-	-	30.00	-	-
	2	40	12.50	-	-	30.00	-	-
	3	34	2.94	-	-	29.41	-	-
	4	34	-	-	-	44.12	-	-
	5	47	10.64	-	-	21.28	-	-
	6	66	12.12	1.52	-	24.24	1.52	-
	7	60	21.67	1.67	-	33.33	-	-
	8	46	15.22	-	-	34.78	-	-
	9	51	17.65	-	-	45.10	-	-
	10	51	9.80	-	-	31.37	-	-
	11	65	4.62	-	-	18.46	-	-
	12	55	9.09	-	-	30.91	-	-
	13	70	18.57	-	-	27.14	-	-
	14	60	16.67	-	-	23.33	-	-
	15	44	18.18	-	-	29.55	-	-
	16	56	16.07	-	-	50.00	-	-
	Totals	829	12.55	0.24	-	30.88	0.12	-
<u>Threshers</u>	1	50	-	-	-	12.00	-	-
	2	40	-	-	-	17.50	-	-
	3	34	-	-	-	8.82	-	-
	4	34	-	-	-	11.76	-	-
	5	47	-	-	-	14.89	-	-
	6	66	4.55	-	-	12.12	-	-
	7	60	3.33	-	-	15.00	-	-
	8	46	4.35	-	-	13.04	-	-
	9	51	-	-	-	15.69	-	-
	10	51	1.96	-	-	15.69	-	-
	11	65	-	-	-	3.08	-	-
	12	55	1.82	-	-	7.27	-	-
	13	70	7.14	-	-	12.86	-	-
	14	60	6.67	-	-	8.33	-	-
	15	44	6.82	-	-	6.82	-	-
	16	56	3.57	-	-	16.07	-	-
	Totals	829	2.77	-	-	11.82	-	-
<u>Grain Loaders</u>	1	50	62.00	-	-	34.00	-	-
	2	40	65.00	5.00	-	20.00	2.80	-
	3	34	61.76	14.71	-	20.58	-	2.94
	4	34	64.71	17.65	-	17.65	5.88	-
	5	47	63.83	12.77	-	25.53	2.13	-
	6	66	68.18	12.12	-	18.18	-	-
	7	60	66.67	3.33	-	11.67	-	-
	8	46	69.56	2.17	-	17.39	2.17	-
	9	51	60.78	3.92	-	19.60	-	-
	10	51	64.70	11.76	1.96	23.53	-	-
	11	65	60.61	16.92	1.54	21.54	-	-
	12	55	67.27	10.91	-	16.36	1.82	-
	13	70	81.43	8.57	-	12.86	-	-
	14	60	61.67	5.00	-	15.00	1.67	-
	15	44	65.91	9.09	-	18.18	2.27	-
	16	56	55.35	5.35	-	25.00	-	-
	Totals	829	65.37	8.56	2.41	19.54	0.96	0.12

Table 24D: Distribution of machine ownership by Wheat Pool districts

		Replies by district	Percentage of farmers reporting new machines			Percentage of farmers reporting second-hand machines		
			1	2	3	1	2	3
<u>Grain Cleaners</u>	1	50	24.00	-	-	26.00	2.00	-
	2	40	45.00	2.50	-	17.50	-	-
	3	34	41.18	-	-	20.59	-	-
	4	34	32.35	2.94	-	14.71	-	-
	5	47	48.94	2.13	-	17.02	-	-
	6	66	39.39	3.03	-	16.67	3.03	-
	7	60	36.67	1.67	-	18.33	3.33	-
	8	46	41.30	-	-	26.09	2.17	-
	9	51	17.65	1.96	-	11.76	-	-
	10	51	27.45	1.96	-	11.76	-	-
	11	65	24.62	1.54	-	10.77	-	-
	12	55	36.36	-	-	23.64	1.82	-
	13	70	30.00	1.43	-	17.14	-	-
	14	60	20.00	1.67	-	18.33	-	-
	15	44	29.55	2.27	-	25.00	-	-
	16	56	21.43	1.79	-	26.79	-	-
Totals		829	31.60	1.57	-	18.70	0.84	-
<u>Grinders</u>	1	50	30.00	-	-	44.00	4.00	-
	2	40	35.00	-	-	22.50	-	-
	3	34	32.35	-	-	8.82	2.94	-
	4	34	26.47	-	-	32.35	2.94	-
	5	47	44.68	-	-	29.79	-	-
	6	66	36.36	-	-	27.27	1.52	-
	7	60	46.67	-	-	31.67	-	-
	8	46	29.57	-	-	34.78	-	-
	9	51	27.45	-	-	35.29	1.96	-
	10	51	35.29	-	-	31.37	-	-
	11	65	27.69	1.54	-	21.54	-	-
	12	55	43.64	-	-	25.45	-	-
	13	70	42.86	-	1.43	34.29	-	-
	14	60	41.67	-	-	33.33	-	-
	15	44	45.45	2.27	-	31.82	-	-
	16	56	33.93	-	-	33.93	-	-
Totals		829	37.37	2.41	1.21	30.28	0.72	-
<u>Hay Mowers</u>	1	50	46.00	-	-	38.00	2.00	-
	2	40	52.50	-	-	30.00	-	-
	3	34	38.24	-	-	14.71	-	-
	4	34	26.47	-	-	32.35	-	-
	5	47	42.55	-	-	17.02	-	-
	6	66	33.33	1.52	-	22.73	-	-
	7	60	50.00	1.67	-	35.00	1.67	-
	8	46	34.78	4.35	-	45.65	-	-
	9	51	33.33	-	-	43.14	1.96	-
	10	51	31.37	-	-	31.37	-	-
	11	65	26.15	-	-	16.92	-	-
	12	55	34.55	-	-	32.73	-	-
	13	50	34.29	-	-	31.43	-	-
	14	60	36.67	-	-	46.67	-	-
	15	44	36.36	-	-	34.09	-	-
	16	56	32.14	-	-	28.57	-	-
Totals		829	36.55	0.48	-	31.36	0.36	-

Table 24D: Distribution of machine ownership by Wheat Pool districts

		Replies by district	Percentage of farmers reporting new machines			Percentage of farmers reporting second-hand machines		
			<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>2</u>	<u>3</u>
<u>Hay Rakes</u>	1	50	36.00	-	-	36.00	2.00	-
	2	40	42.50	-	-	27.50	-	-
	3	34	35.29	-	-	17.65	-	-
	4	34	20.59	-	-	32.35	2.94	-
	5	47	29.79	-	-	27.66	-	-
	6	66	25.76	1.52	-	27.27	-	-
	7	60	46.67	-	-	33.33	-	-
	8	46	34.78	2.17	-	36.96	4.35	-
	9	51	29.41	-	-	43.14	-	-
	10	51	27.45	-	-	23.53	1.96	-
	11	65	18.46	-	-	15.38	-	-
	12	55	25.45	-	-	30.91	1.82	-
	13	70	31.43	1.43	-	25.71	-	-
	14	60	21.67	-	-	50.00	-	-
	15	44	22.73	-	-	36.36	-	-
	16	56	23.21	-	-	42.86	-	-
	Totals	829	29.19	0.36	-	31.72	0.72	-
<u>Hay Balers</u>	1	50	38.00	-	-	14.00	-	-
	2	40	45.00	-	-	2.50	-	-
	3	34	29.41	-	-	5.88	-	-
	4	34	14.71	-	-	14.71	-	-
	5	47	36.17	-	-	17.01	-	-
	6	66	19.70	-	-	10.61	-	-
	7	60	45.00	-	-	5.00	-	-
	8	46	23.91	-	-	8.70	-	-
	9	51	25.49	-	-	7.84	-	-
	10	51	21.57	1.96	-	1.96	-	-
	11	65	13.85	-	-	6.15	-	-
	12	55	25.45	-	-	12.73	-	-
	13	70	21.43	-	-	4.29	-	-
	14	60	26.67	-	-	11.67	-	-
	15	44	11.36	-	-	6.82	-	-
	16	56	18.18	-	-	14.29	-	-
	Totals	829	25.69	-	-	8.93	-	-
<u>Hay Pickup</u>	1	50	4.00	-	-	4.00	-	-
	2	40	7.50	-	-	2.50	-	-
	3	34	20.59	-	-	2.94	-	-
	4	34	5.88	-	-	2.94	-	-
	5	47	2.13	-	-	2.13	-	-
	6	66	7.58	-	-	1.52	-	-
	7	60	1.67	-	-	1.67	-	-
	8	46	8.70	-	-	2.17	-	-
	9	51	3.92	-	-	1.96	-	-
	10	51	-	-	-	1.96	-	-
	11	65	4.62	1.54	-	1.54	-	-
	12	55	3.64	-	-	3.64	-	-
	13	70	1.43	-	-	2.86	-	-
	14	60	1.67	-	-	3.33	-	-
	15	44	2.27	-	-	2.27	-	-
	16	56	3.57	-	-	1.79	-	-
	Totals	829	4.46	0.12	-	2.41	-	-

25. Machinery Breakdowns 1960

Question 25: How many times did you have a breakdown in 1960 you were NOT able to fix on farm .

Replies indicate that 554 sample farmers had one or more breakdowns in 1960 and that 24 of the random selection had breakdowns during 1960. The number of breakdowns reported by these farmers have been tabulated on the basis shown in Table 25A.

Table 25A: Comparison of sample and random selection as to machinery breakdowns in 1960					
	One bkdown	Two bkdowns	Three bkdowns	4 -10 bkdowns	Over 10 breakdowns
Sample 887	20.0 %	13.5 %	8.9 %	16.9 %	3.2 %
Random 41	12.2	12.2	7.3	22.0	4.9

Among sample farmers there is little direct difference between the number of breakdowns and farm size. Smaller and larger farmers are plagued about equally by machinery breakdowns.

Table 25B: Relationship of machinery breakdowns in 1960 to farm size					
Farmers by quarters	One bkdown	Two bkdowns	Three bkdowns	4 - 10 bkdowns	Over 10 breakdowns
1 18	22.22 %	11.11 %	16.67 %	11.11 %	5.56 %
2 120	21.82	13.64	7.27	13.64	9.09
3 126	17.46	13.49	6.35	19.84	3.17
4 192	24.28	11.46	8.85	17.71	5.21
5 114	15.79	13.16	7.89	15.79	8.77
6 97	16.49	15.46	8.25	19.59	2.06
7 63	12.70	9.52	15.87	12.70	4.76
8 57	28.07	10.53	14.04	14.04	5.26
Over 8 110	20.00	20.00	7.27	19.09	2.73
Totals 887	19.95 %	13.53 %	8.91 %	16.91 %	3.16 %

None of the farmers in Districts 3, 4, 8, 9 and 15 had more than ten breakdowns in the year. Of farmers reporting between four and ten breakdowns in the year were more than 20 per cent of the farmers in Districts 5, 12 and 15, and more than 30 per cent of the farmers in Districts 8 and 9.

Table 25C: Distribution of Machinery breakdowns in 1960 by Wheat Pool districts					
Farmers by districts	One bkdown	Two bkdowns	Three bkdowns	4 - 10 bkdowns	Over 10 breakdowns
1 50	16.00 %	16.00 %	14.00 %	8.00 %	4.00 %
2 40	17.50	10.00	5.00	17.50	2.50
3 34	5.88	32.35	2.94	17.65	-
4 34	26.47	14.71	5.88	14.71	-
5 47	21.28	19.15	6.38	21.28	4.26
6 66	22.73	10.61	7.58	9.09	1.52
7 60	18.33	16.67	15.00	11.67	1.67
8 46	13.04	10.87	6.51	32.61	-
9 51	9.80	9.80	15.69	33.33	-
10 51	15.69	9.80	9.80	11.76	3.92
11 65	32.31	7.69	6.15	7.69	4.62
12 55	27.27	12.73	9.09	23.64	3.64
13 70	15.71	21.43	4.29	14.29	7.14
14 60	26.67	11.67	10.00	13.33	5.00
15 44	15.91	13.64	9.09	25.00	-
16 56	23.21	10.71	12.50	17.86	1.79
Unident. 58	22.41	8.62	8.62	17.24	8.62
Totals 887	19.95 %	13.53 %	8.91 %	16.91 %	3.16 %

26. Duration of Farm Breakdowns in 1960

Question 26: If any breakdowns of any kind in 1960 how many days in total were you held up: days.

Sixty per cent of the farmers in both the sample and the random selection were delayed from one to seven days by breakdowns in 1960. Some of the farmers were held up more than a month but none of the farmers in the random selection said they were held up more than 30 days.

Table 26A: Comparison of sample and random selection as to duration of breakdown delays in 1960.

	1-2 dys.	2-7 dys.	8-14 dys.	15-30 dys.	31-60 dys.	Over 60 days
Sample 887	31.3 %	29.2 %	9.0 %	2.3 %	0.2 %	0.2 %
Random 41	43.9	19.5	9.8	4.9	-	-

There has been no attempt to relate the duration of breakdown delays to farm size. The distribution of these delays by Wheat Pool district is given in the following table.

Table 26B: Distribution of duration of delays by Wheat Pool districts

Total farmers by districts	1-2 dys.	2-7 dys.	8-14 dys.	15-30 dys.	31-60 dys.	Over 60 days
1 50	32.00 %	28.00 %	10.00 %	2.00 %	-	-
2 40	30.00	32.50	5.00	-	-	-
3 34	20.59	32.33	11.76	-	-	-
4 34	32.33	26.47	-	2.94	-	2.94 %
5 47	40.43	34.04	8.51	2.13	-	-
6 66	31.82	25.76	6.06	3.03	-	-
7 60	25.00	36.67	13.33	1.67	-	-
8 46	17.39	41.30	4.35	4.35	-	2.17
9 51	35.29	27.45	7.84	5.88	-	-
10 51	37.25	13.73	13.73	1.96	-	-
11 65	26.15	30.77	7.69	1.54	3.08 %	-
12 55	45.45	23.64	10.91	3.64	-	-
13 70	30.00	30.00	42.86	2.86	-	-
14 60	40.00	21.67	10.00	-	-	-
15 44	15.90	34.09	11.36	4.55	-	-
16 56	37.50	26.79	14.29	1.78	-	-
Unident. 58	29.31	34.48	12.07	-	-	-
Totals 887	31.34 %	29.20 %	9.02 %	2.25 %	0.23 %	0.23 %

27. Miles travelled to get repair parts

Question 27: If you had to pick up parts how many miles did you travel to get them: miles.

More than 30 per cent of the sample travel more than 50 miles to get repair parts. Fewer than 20 per cent of the random selection travel more than 50 miles. While there may have been some misunderstanding about whether the question sought round-trip distances or the single distance from farm to repair depot replies are tabulated on the assumption that the farmers recorded only the one-way distances.

Table 27 A: Comparison of sample and random as to distance travelled for repair parts.

	1 - 10 miles	11-20 miles	21-50 miles	50-100 miles	Over 100 miles
Sample 774	16.1 %	24.0 %	29.6 %	15.1 %	15.2 %
Random 37	35.1	35.1	10.8	8.2	10.8

There has been no attempt to relate the distance travelled for repair parts to farm size. Location of farm rather than its size is the principal factor in this question. More than 20 per cent of the sample farmers in Districts 2, 3, and 5 drive between 50 and 100 miles to get repair parts, and more than 20 per cent of the farmers in Districts 3, 10 and 15 drive more than 100 miles.

Table 27B: Distribution of distance travelled for repair parts by Wheat Pool district

Farmers replying by districts	1 -- 10 miles	11 -- 20 miles	21 -- 50 miles	50 -- 100 miles	Over 100 miles
1	44	11.36 %	27.27 %	40.91 %	15.91 %
2	35	17.14	17.14	31.43	20.00
3	28	10.71	14.29	32.14	21.43
4	29	3.45	41.38	27.59	17.24
5	43	13.95	9.30	34.88	23.26
6	60	21.67	18.33	36.66	11.67
7	51	21.57	33.33	9.80	15.69
8	39	12.82	38.46	33.33	5.13
9	45	15.56	26.67	24.44	15.56
10	41	14.63	34.15	14.63	14.63
11	59	20.34	22.03	27.12	11.86
12	51	15.69	29.41	27.44	13.73
13	56	10.71	35.71	32.14	3.57
14	54	22.22	35.19	31.48	3.70
15	37	18.92	16.22	27.03	13.51
16	49	20.41	14.29	34.69	16.32
Unidentified 53	13.21	16.98	35.85	18.87	15.09
Totals	774	16.15 %	25.32 %	29.59 %	13.69 %

28. Question 28:

If more than one breakdown in 1960 give further details

Details given by the farmers to this question appear to add little to the purpose of this survey. Some farmers said their machinery was too old, some went into great detail about the kind of breakdown they had. None of the replies provide information suitable for reproduction here.

29. Farm Workshop Equipment

Question 29: If you were able to repair breakdowns on the farm, do you have:

Welding equipment ☐; chain hoist ☐; power drill ☐.

There is little major difference between replies of farmers in the sample and in the random selection about the farm workshop equipment they possess. Sixty percent of the sample farmers have power drills, 47 per cent have welding equipment and 34 per cent have chain hoists. These three tools were selected because they are considered to be major requirements of a good farm workshop.

Table 29A: Comparison of sample and random selection as to farm workshop equipment.

	Welding equipment	Chain hoists	Power drills
Sample 887	46.9 %	34.05 %	60.20 %
Random 41	46.3	46.3	61.0

STANDING COMMITTEE

More of the farmers on larger farms report welding equipment, chain hoists and power drills indicating they have better farm workshops than have farmers on smaller holdings.

Table 29B: Distribution of farm workshop equipment to farm size

Total farmers by quarters	Percentage of farmers reporting		
	Welding	Hoists	Drills
1 18	16.67	16.67	38.89
2 110	33.64	22.73	45.45
3 126	29.37	30.46	47.62
4 192	36.98	30.73	58.33
5 114	49.12	36.84	65.79
6 97	55.67	35.05	59.79
7 63	61.90	28.57	82.54
8 57	56.14	40.35	56.14
Over 8 110	79.09	54.55	80.00
Totals 887	46.90	34.05	60.20

More than half of the sample farmers in Districts 2, 3, 4, 5, 10, 11 and 12 have welding equipment in their farm workshops; more than 40 per cent of the farmers in Districts 3, 5, 6 and 11 have chain hoists; and more than 60 per cent of the farmers in Districts 2, 3, 4, 5, 6, 7, 10, 11, 12, 13 and 14 have power drills.

Table 29C: Distribution of farm workshop equipment by Wheat Pool districts

Total farmers by districts	Percentage of farmers reporting		
	Welding	Hoists	Drills
1 50	40.00	36.00	46.00
2 40	50.00	27.50	60.50
3 34	67.65	41.18	67.65
4 34	55.88	35.29	67.65
5 47	51.06	44.68	70.21
6 66	48.48	43.94	62.12
7 60	46.67	30.00	68.33
8 46	39.13	23.91	43.48
9 51	37.25	28.41	50.98
10 51	50.98	33.33	68.63
11 65	56.92	47.69	67.69
12 55	60.00	29.09	61.82
13 70	44.29	30.00	70.00
14 60	36.67	28.33	65.00
15 44	34.09	31.82	50.00
16 56	39.29	26.79	39.29
Unident. 58	46.55	37.93	58.62
Totals 887	46.90	34.05	60.20

30. Motor Mechanics and Machine Shop Training

Question 30: Do you have either technical machine shop or motor mechanics training: Yes ☐; No ☐.

Twenty per cent of the sample farmers and nearly 30 per cent of the farmers in the random selection have technical training in machine shop or motor mechanics.

Table 30A: Comparison of sample and random selection as to technical training

	Technical Training
Sample 887	20.18 %
Random 41	29.3

The survey shows no direct relationship between farm size and farmers having technical training in motor mechanics or machine shop.

Table 30B: Relationship of technical training to farm size

Total farmers by quarters	Percentage of farmers reporting Technical training
1 18	27.78
2 110	20.91
3 126	15.08
4 192	16.15
5 114	26.32
6 97	23.71
7 63	23.81
8 57	17.54
Over 8 110	20.90
Totals 887	20.18

More than a quarter of the farmers in Districts 4 and 8 have technical training motor mechanics or machine shop and more than 20 per cent of the farmers in Districts 1, 2, 10, 11, 14 have technical training.

Table 30C: Distribution of technical training by Wheat Pool districts

Total farmers by districts	Percentage of farmers reporting Technical training
1 50	20.00
2 40	22.50
3 34	17.65
4 34	26.47
5 47	19.15
6 66	19.70
7 60	18.33
8 46	30.43
9 51	11.76
10 51	23.53
11 65	21.54
12 55	14.55
13 70	18.57
14 60	23.33
15 44	15.91
16 56	19.64
Unident. 58	22.41
Totals 887	20.18

31. Machinery Company Manuals

Question 31: Do you think machinery manuals adequate ☐; need improving ☐; no good ☐.

If not adequate state why:

Seventy per cent of the sample farmers and 90 per cent of the random selection farmers consider that machinery company manuals need improving.

Table 31A: Comparison of sample and random selection as to machinery company manuals

	Manuals adequate	Manuals need improving	Manuals no good
Sample 853	28.1 %	69.3 %	2.2 %
Random 41	9.8	85.4	4.9

STANDING COMMITTEE

There is no direct relationship between farm size and opinion of farmers about the adequacy of machinery company manuals.

Table 31B: Relationship of opinion about machinery manuals to farm size

Farmers replies by quarters		Manuals adequate	Manuals need improving	Manuals no good
1	16	25.00 %	75.00 %	-
2	99	26.26	71.72	2.02 %
3	126	31.75	65.08	3.17
4	184	30.43	66.85	2.72
5	109	25.69	71.56	2.75
6	96	17.71	81.25	1.04
7	60	28.33	70.00	1.67
8	55	30.91	67.27	1.82
Over 8	108	32.41	62.96	4.63
Totals	853	28.14 %	69.28 %	2.58 %

More than 30 per cent of the sample farmers in Districts 2, 6, 7, 8, 9, 11, 13 and 15 consider machinery manuals adequate. The least satisfied farmers are in District 3 where only 17 per cent consider manuals adequate. Fewer than 20 per cent of the farmers in Districts 12 and 16 also consider manuals adequate.

Table 31C: Distribution of opinions about machinery manuals by Wheat Pool districts

Farmers replies by districts		Manuals adequate	Manuals need improving	Manuals no good
1	48	25.00 %	72.92 %	2.08 %
2	36	30.56	69.44	-
3	34	17.65	79.41	2.94
4	33	24.24	72.73	3.03
5	44	20.45	70.45	9.10
6	64	35.94	64.06	-
7	55	36.36	60.00	3.64
8	46	36.95	63.05	-
9	48	31.25	66.67	2.08
10	50	24.00	74.00	2.00
11	65	30.77	66.15	3.08
12	53	18.87	77.36	3.77
13	69	30.43	68.12	1.45
14	57	29.82	70.18	-
15	40	37.50	55.00	7.50
16	55	18.18	78.18	3.64
Unidentified	56	25.00	73.21	1.79
Totals	853	28.14 %	69.28 %	2.58 %

Their main complaint is that while manuals provide adequate maintenance instructions they do not give enough detail for overhaul and major repair jobs. Some say manuals would be of more use to farmers in the United States than in Saskatchewan. Some complain because manuals direct the farmer to see his dealer when he has a major repair and farmers consider many dealers not able to help them; in some cases dealers know less about the equipment than farmers do. Farmers suggest that manuals provide more diagrams and break-away drawings showing how to remove and replace hidden or difficult parts. Among those who find manuals adequate is a farmer in District 16 who operates a 16-quarter section farm. He said "Most manuals are adequate but farmers are not because they don't read them."

32. Suggestions for Improving Machinery Situation

Question 32:

What suggestion can you make to improve the farm machinery situation, either for new machinery sales and distribution or availability of parts and repairs? Do you have any comment to make on price of new equipment or repair parts?

** IF YOU NEED MORE SPACE FOR ANY OF THE OPINION QUESTIONS (23, 28, 31,32) please ATTACH ANOTHER SHEET OF PAPER. REMEMBER: DO NOT MARK YOUR NAME ON IT

The major complaint is that prices for machines and repair parts are too high. Of the total sample of 887, 758 farmers mention high price in their remarks. Nearly half of the sample complain about dealers not carrying enough parts for a long enough period of time. These two suggestions are mentioned by farmers in all 16 Wheat Pool districts as are additional proposals that machinery parts be standardized, that dealers provide better service, that there are too many models and that models are changed too often.

Twenty-five suggestions and complaints have been tabulated, citing the number of farmers mentioning each and the number of Wheat Pool districts represented by those farmers.

Table 32A: Compilation of 25 Major proposals and complaints with number of farmers citing each

<u>Suggestion or complaint</u>	<u>No. of farmers citing</u>	<u>No. of Wheat Pool districts citing</u>
1. Prices for machines, parts too high	758	16
2. Dealers should stock parts for longer periods	372	16
3. Parts should be standardized	95	16
4. Dealers should provide better service	94	16
5. Too many models and changes too often	83	16
6. More testing and better guarantees required	62	15
7. Farmers should support C.C.I.L.	34	11
8. Government should investigate prices	18	8
9. Farmers should buy more second-hand machinery	13	5
10. Government should control prices	12	6
11. Dealers should be able to repair machinery	11	2
12. Better guarantees and warranties needed	9	5
13. Farm Improvement Loans need improving	9	6
14. More training courses needed for farmers	9	6
15. More co-operation among neighbors	6	5
16. Machinery dealers should be more centralized	4	1
17. Implements should be manufactured in the west	3	3
18. Too many machinery dealers	3	2
19. Too much money is spent on advertising	3	3
20. Machines not built properly	2	1
21. Machines should be tested in the west	1	1
22. Machinery companies should advertise lowest prices	1	1
23. Too much government interference in price	1	1
24. Repair parts should be sold by weight	1	1
25. Too much centralization of dealers	1	1

If the suggestions and complaints are indicative of the general attitudes of all farmers in each of the districts some worthwhile observations may be made. For example, none of the farmers in Districts 1, 2 and 3--across the southern part of the province--complain about service now provided by machinery company dealers, but farmers in all of the other 13 districts do complain of this. None of the farmers in Districts 1, 2, 3 and 4 suggest that farmers should give greater support to Canadian Co-operative Implements Limited, the

farmer-owned machinery co-op, but farmers in each of the other 12 districts do. Few farmers in the south suggest that the Farm Improvement Loan needs improving, that there is need for more training courses in machinery repairs or that there should be more farmer co-operation in the use of machinery although these three proposals are advanced by farmers in nearly every district in the northern half of the province.

Table 32B: Distribution of the Suggestions or Complaints by Wheat Pool Districts

District and No. of farmers reporting from each		Prices for machines, parts too high	Dealers should stock parts for longer periods	Parts should be standardized	Dealers should provide better service	Too many models and changes too often	More testing and better guarantees required	Farmers should support C.C.I.L.	Government should investigate prices	Farmers should buy more second-hand machinery	Government should control prices	Dealers should be able and equipped to repair machinery	Better guarantees and warranties needed	Farm Improvement Loans need improving	More training courses needed for farmers	There should be more co-operation among farmers	Machinery dealers should be more centralized	Implements should be manufactured in the west	Too many machinery dealers	Too much money is spent on advertising machines	Machines are not properly built
1	50	45	14	2	-	1	2	-	3	4	-	7	-	-	-	-	-	-	-	1	-
2	40	37	15	2	-	4	-	-	1	4	-	-	3	-	-	-	-	-	-	-	-
3	34	31	16	3	-	3	3	-	-	2	-	4	-	-	-	-	-	-	-	-	-
4	34	30	15	6	5	4	3	-	1	1	1	-	-	-	-	-	-	-	-	-	-
5	47	40	20	6	9	6	6	4	-	2	-	-	2	-	-	-	-	-	-	-	-
6	66	47	28	7	7	6	2	3	-	1	-	-	-	-	-	-	-	-	-	-	-
7	60	48	24	6	6	6	2	4	1	-	-	-	-	1	-	1	-	1	1	1	-
8	46	41	19	2	7	1	5	-	4	-	-	-	2	-	-	-	-	1	2	-	-
9	51	48	25	6	4	6	7	4	3	-	-	-	-	1	3	2	1	1	-	-	-
10	51	47	23	7	7	5	3	3	3	-	-	-	-	1	1	1	1	1	-	-	-
11	65	57	30	2	5	4	3	1	-	-	-	3	-	-	1	-	-	-	-	-	-
12	55	44	21	10	10	7	4	1	-	-	1	-	1	-	-	1	-	-	-	-	-
13	70	59	31	9	12	11	2	4	1	-	-	-	-	4	2	-	-	-	-	-	-
14	60	50	25	10	6	8	3	5	-	-	1	-	-	1	-	1	-	-	-	-	-
15	44	38	13	8	3	4	4	3	-	-	-	-	-	-	1	-	-	-	-	-	-
16	56	46	29	5	7	2	5	1	-	4	-	1	1	1	1	-	3	-	-	1	-
Unid.	58	50	24	4	6	5	8	1	1	1	-	-	-	-	-	-	1	-	-	-	-
Totals	887	758	372	95	94	83	62	34	18	13	12	11	9	9	9	6	4	3	3	3	2

In addition, other proposals came from individual Wheat Pool districts on the following basis: Machinery should be tested in the west (District 1), machine companies should advertise their lowest price (District 1), there is too much government interference in price (District 6), repair parts should be sold by weight (District 6), and there is too much centralization of dealers (District 15).

Conclusions

Detailed conclusions based on analysis of this survey are contained in Volume I of this submission entitled "Views and recommendations based on findings of a survey among farmers." They indicate among other things that farm size and extent of production diversification contribute in a major way to the Saskatchewan farmer's current concern about his acquisition, maintenance and use of farm machinery. They also indicate, for example, that farmers with well-stocked farm workshops and some technical training in motor mechanics and machine shop techniques have different attitudes about and ability to use second-hand machinery and to make breakdown repairs on the farm. They also influence the farmer's opinion of the adequacy of present-day farm machines, manuals supplied by machinery companies and generally the operation of machinery company agencies.

Saskatchewan Wheat Pool hopes that this survey contributes some worthwhile detail for the parliamentary committee's investigation and that some of its data proves useful to the many farm machinery companies which operate in western Canada. The officials and directors of Saskatchewan Wheat Pool hope to be able to learn from this survey and others like it more about details of the problems which beset the farmers of Saskatchewan so that they might effectively recommend policies which will improve the state of the agricultural industry in the province and improve the economic and social community for farmers.

All of which is respectfully submitted,

SASKATCHEWAN WHEAT POOL

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Regina, Saskatchewan,
May 1961.

Appendix A

The following are the texts of three letters written by officials of Saskatchewan Wheat Pool in connection with the questionnaire forming the basis of this survey:

December 2, 1960.

To the Secretaries of Wheat Pool Committees:-

I am writing you about the attached questionnaire, which we are sending to you for completion. In January we expect to make a submission to the Agricultural Committee of the House of Commons in Ottawa, during its proposed investigation of farm machinery. We believe this an ideal opportunity to find out directly what farmers really think about the whole subject.

We are sending this to you in your capacity as Secretary of the local Wheat Pool Committee because we know you will understand, through your active work in the Wheat Pool organization, the importance of our getting the best possible reply from these questionnaires. If you are a Pool elevator agent, and do not operate a farm, we would appreciate it if you would ask the Chairman of the Committee to fill out the questionnaire. We have mailed 1,100 questionnaires, one to each Committee Secretary. A complete return would represent slightly more than one per cent of Saskatchewan's farming population. That number is low enough when you want representative opinion, and were it to fall much below that figure, any conclusions we might wish to draw from the returns might prove unsatisfactory.

The Parliamentary Committee has indicated it will likely start hearings early in the new year. We are most anxious to have the completed questionnaires in our hands not later than December 15th. This gives you about one week in which to complete the questionnaire and mail it back in the enclosed addressed envelope.

Most of the questions can be answered simply by making a check mark in the squares opposite each question. We are anxious to get full replies to all questions, but if there is any question you may not be able to answer, please do not hesitate to leave it blank and make replies to all questions you feel you can answer. The questions which provide larger space for your opinion about particular matters are important because they will give us some indication what you are thinking about farm machines and farm machinery companies. Do not hesitate to give us your fullest views on each. In addition, if you know of a particular instance where a farmer--yourself or someone else--actually has had a major dispute with a machinery company about a purchase or a repair item, we'd like you to report complete details on it.

If each Committee Secretary completes this questionnaire, we will be better able to prepare a submission on behalf of Pool members which might have a major influence on the work of the Parliamentary Committee. The views of an organization representing the largest group of Saskatchewan farmers will certainly be considered seriously in an investigation of this kind.

Many thanks for your co-operation,

Yours very truly,

A. R. Stevens,
Secretary.

REMEMBER: We need this questionnaire returned to Regina by December 15, 1960

MEMORANDUM TO ALL FIELDMEN:I M P O R T A N T

We have decided to circulate a questionnaire among some Wheat Pool people asking them questions which might be useful to us in the preparation of a submission to the standing committee on agriculture of the House of Commons which expects to be investigating the farm machinery situation sometime after the new year.

At the outset one questionnaire was sent to each of the 1,090 Wheat Pool Committee Secretaries for completion by themselves as farmers. A copy of the letter sent to them is enclosed for your information.

In addition we are sending you five copies of the questionnaires which we would like you to distribute to five individual farmers on the following basis: - Be sure that none of the five is at present a member of a Wheat Pool Committee and has not been a committee member for at least five years. We are anxious in seeking this kind of farmer to get information from people who are not at the present active in Wheat Pool affairs.

Whom you select is left to your discretion. We would like you to attempt to distribute them without consciously picking on the best, the most aggressive or the biggest farmers. One way of doing this would be to distribute a questionnaire to each of the first five farmers you happen to run into after receiving them. Another method would be to put in a hat separate slips of papers the names of all the farmers within easy reach that you happen to know and then distribute one questionnaire to each of the first five names you draw from the hat.

We are enclosing five stamped and self-addressed envelopes these five farmers should use to return the questionnaire to Head Office. If any or all of the five want you to help him fill in the replies that will be all right. But if any or all of them prefer to do it privately and send their own questionnaire directly to us that will be all right too. Whatever method is used, each questionnaire should reach us separately in a separate envelope for each and none of the farmers should sign his name or make any other mark on the questionnaire that will identify him. The only identity required is that noted in question No. 1 which is for him to state the Wheat Pool District and Sub-district in which his farm is located.

We have asked all committee secretaries to have their questionnaires in the mail to reach us by December 15. Would you plan to have your five farmers mail their questionnaires to reach us also by December 15.

There is no indication yet when the parliamentary committee will begin to meet. But press reports earlier seemed to indicate the investigation might begin early in January. After we receive all questionnaires there is considerable work ahead in analyzing them and then in preparing the submission. That is why we are asking that they all reach us by December 15.

Thanks for your early attention to this matter.

lm
December 2, 1960.

J. D. Stratyckuk,
Director,
Country Organization Department.

December 7th, 1960.

Circular No. 50 - 1960 - 61

TO ALL AGENTS AND TRAVELLING SUPERINTENDENTS:

A few days ago we sent a questionnaire to all secretaries of local Wheat Pool Committees asking them to complete it and return it to Saskatchewan Wheat Pool head office by December 15th. The questionnaire was designed to give the Wheat Pool information on which to base a submission on behalf of Saskatchewan farmers to a proposed farm machinery investigation expected to be undertaken early in January by the standing agricultural committee of the House of Commons.

I am writing you today to tell you about the distribution of this questionnaire and to ask you to telephone or call on your committee secretary to remind him that we need his co-operation in completing the questionnaire and returning it to Regina by the deadline of December 15th. If you are yourself the committee secretary, then please consider this as a reminder to yourself that we are counting on your co-operation to complete this survey by the required date.

A. R. Stevens, Wheat Pool Secretary, wrote to all committee secretaries when the questionnaire was distributed, telling them about its purpose and the urgency for a quick response. Your reminder with the next day or two might be all that is needed to convince all secretaries that head office is counting on a 100 percent response to its request. The urgency is compounded by the approach of Christmas and the realization that if the parliamentary committee should decide to meet early in January, the completed submission must be ready when it is called for.

Your usual prompt attention to this matter will be greatly appreciated.

Yours very truly,

WJB/hm

W. J. Ball,
Manager,
Country Elevator Division.

Appendix B

The following is the full text of the questionnaire as it was produced for mailing. It was published by stencil on both sides of one sheet of paper.

DO NOT MARK			

QUESTIONNAIRE ON FARM MACHINERY

DO NOT MARK			

THIS QUESTIONNAIRE IS DESIGNED TO GIVE SASKATCHEWAN WHEAT POOL INFORMATION ON WHICH TO BASE A SUBMISSION TO THE HOUSE OF COMMONS STANDING COMMITTEE ON AGRICULTURE WHICH WILL HOLD PUBLIC HEARINGS EARLY IN 1961 TO INVESTIGATE THE FARM MACHINERY SITUATION. PLEASE ANSWER ALL QUESTIONS FULLY AND FRANKLY. NO ATTEMPT WILL BE MADE TO IDENTIFY YOU WITH ANY OF YOUR REPLIES AND THEY WILL BE KEPT IN CONFIDENCE.

MOST QUESTIONS MAY BE ANSWERED SIMPLY BY MAKING A ☒ MARK IN ONE OF THE SQUARES PROVIDED AFTER EACH QUESTION. PLEASE ANSWER ALL QUESTIONS. QUESTIONS 23, 28, 31 and 32 PROVIDE SPACE FOR YOU TO EXPRESS YOUR OPINION ABOUT CERTAIN MATTERS. DO NOT HESITATE TO GIVE US YOUR FULLEST VIEW.

1. Location of your farm: Wheat Pool District ☐ Sub-district ☐.
2. Size of your farm (in quarter sections); ☐ quarters.
3. Kind of farming operation: All grain ☐; All livestock ☐; mixed ☐.
4. Your land holdings: entirely owned ☐; entirely rented ☐; partly owned/rented ☐.
5. If under purchase, payments still being made: Yes ☐; No ☐.
6. Your farming experience: under 5 years ☐; 5-10 years ☐; 11-20 years ☐;
21-30 years ☐; 31-40 years ☐; over 41 years ☐.
7. Your education: Public School ☐; High School ☐; University courses ☐.
8. Your Age: 20-30 years ☐; 31-40 years ☐; 41-50 years ☐; 51-60 years ☐; over 60 ☐.
9. Do you live on the farm all year round ☐; part of year only ☐; not at all ☐.
10. Do you also have an off-farm job: Yes ☐; No ☐; Does your wife: Yes ☐; No ☐.
11. Have you held an elected position within the last five years in any local organization other than the Wheat Pool Committee: Yes ☐; No ☐.
12. Do you operate farm entirely alone ☐; with family ☐; hired help ☐; with both ☐.
13. If you have hired help, how many man-days did they work in 1960: ☐ man-days.
14. Estimated total current value of all your farm machinery owned: \$5,000 or less ☐;
\$5,-\$10,000 ☐; \$10,\$20,000 ☐; \$20,-\$30,000 ☐; over \$30,000 ☐.
15. Have you enough machinery for your operation: Yes ☐; No ☐; too much ☐.
16. Do you do custom work for others ☐; do others custom for you ☐; both ☐; neither ☐.
17. Do neighbors use your machinery ☐; do you use theirs ☐; both ☐; no sharing ☐.
18. Do you buy all your machinery new ☐; some new ☐; none new ☐.
19. Did you buy any new implements in any of the last three years: Yes ☐; No ☐.

IF YES: In 1960 were they valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .
In 1959 were they valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .
In 1958 were they valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .

20. Did you buy any used or second-hand implements in the last three years: Yes ☐; No ☐.

IF YES: In 1960 was it valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .
In 1959 was it valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .
In 1958 was it valued under \$500 <input type="checkbox"/> ; \$500-\$2000 <input type="checkbox"/> ; \$2000-\$5000 <input type="checkbox"/> ; over \$5000 <input type="checkbox"/> .

21. Did you get credit to buy machinery (new or used): from Credit Union ☐; Bank ☐; Finance Company ☐; family members ☐; others ☐; no credit needed ☐.
22. If you got loan to buy machinery, did you use Farm Improvement loan: Yes ☐; No ☐.
23. Are all your machines suitable for the job required of them: Yes ☐; No ☐.

If No give details

24. Inventory of your farm machinery owned (state number of each piece of equipment in space 'N' or 'U' indicating whether it was New (N) or Used (U) when purchased. If none leave blank)

Tractors	N <input type="checkbox"/> U <input type="checkbox"/>	Harrow	N <input type="checkbox"/> U <input type="checkbox"/>	Grain loaders	N <input type="checkbox"/> U <input type="checkbox"/>
Trucks	N <input type="checkbox"/> U <input type="checkbox"/>	Weed Sprayers	N <input type="checkbox"/> U <input type="checkbox"/>	Grain cleaners	N <input type="checkbox"/> U <input type="checkbox"/>
Automobiles	N <input type="checkbox"/> U <input type="checkbox"/>	Rod Weeders	N <input type="checkbox"/> U <input type="checkbox"/>	Grinder or hammer mills	N <input type="checkbox"/> U <input type="checkbox"/>
One-ways	N <input type="checkbox"/> U <input type="checkbox"/>	Combines	N <input type="checkbox"/> U <input type="checkbox"/>	Mower (hay)	N <input type="checkbox"/> U <input type="checkbox"/>
Diskers	N <input type="checkbox"/> U <input type="checkbox"/>	Swathers	N <input type="checkbox"/> U <input type="checkbox"/>	Rakes (hay)	N <input type="checkbox"/> U <input type="checkbox"/>
Cultivators	N <input type="checkbox"/> U <input type="checkbox"/>	Binders	N <input type="checkbox"/> U <input type="checkbox"/>	Hay balers or	
Seed Drills	N <input type="checkbox"/> U <input type="checkbox"/>	Threshers	N <input type="checkbox"/> U <input type="checkbox"/>	forage harvesters	N <input type="checkbox"/> U <input type="checkbox"/>
				Hay pickup	N <input type="checkbox"/> U <input type="checkbox"/>

25. How many times did you have a breakdown in 1960 you were NOT able to fix on farm ☐.
26. If any breakdown of any kind in 1960 how many days in total were you held up: ☐ days.
27. If you had to pick up parts how many miles did you travel to get them: ☐ miles.
28. _____

If more than one breakdown in 1960 give further details:

29. If you were able to repair breakdowns on the farm, do you have:
Welding equipment ☐; chain hoist ☐; power drill ☐.
30. Do you have either technical machine shop or motor mechanics training: Yes ☐; No ☐.
31. Do you think machinery manuals adequate ☐; need improving ☐; no good ☐.

If not adequate, state why:

32. _____

What suggestion can you make to improve the farm machinery situation, either for new machinery sales and distribution or availability of parts and repairs? Do you have any comment to make on price of new equipment or repair parts?

** IF YOU NEED MORE SPACE FOR ANY OF THE OPINION QUESTIONS (23, 28, 31, 32) PLEASE ATTACH ANOTHER SHEET OF PAPER. REMEMBER: DO NOT MARK YOUR NAME ON IT.

12

HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE

ON

Agriculture and Colonization

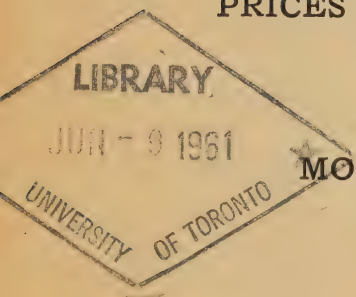
Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

Respecting

PRICES OF FARM MACHINERY



MONDAY, MAY 29, 1961

WITNESSES:

From the Canadian Labour Congress: Messrs. G. G. Burt, Vice-President and Director, United Automobile Workers; C. Coburn, Assistant Research Director, United Automobile Workers; W. F. C. Kidd, Research Director, United Steel Workers of America; John Bellingham, Chairman, Farm Implement Council; Stanley Knowles, Executive Vice-President and Dr. Eugene Forsey, Director of Research.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.

and Messrs.

Argue	Hales	Noble
Badanai	Hardie	Pascoe
Belzile	Henderson	Peters
Boulanger	Hicks	Phillips
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Racine
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Rapp
Clancy	Howe	Régnier
Clermont	Kindt	Ricard
Cooper	Knowles	Rogers
Danforth	Korchinski	Rompré
Doucett	Latour	Slogan
Drouin	Leduc	Southam
Dubois	Mandziuk	Stefanson
Dupuis	McIntosh	Tardif
Fane	Michaud	Thomas
Forbes	Milligan	Thompson
Forgie	Montgomery	Tucker
Godin	Muir (<i>Lisgar</i>)	Villeneuve
Gundlock	Nasserden	Webb—60.

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, May 29, 1961
(24)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Argue, Boulanger, Campbell (*Lambton-Kent*), Clancy, Clermont, Fane, Forbes, Gundlock, Hales, Henderson, Hicks, Horner (*Acadia*), Kindt, Korchinski, McBain, Mandziuk, Montgomery, Muir (*Lisgar*), Nasserden, Noble, Peters, Rapp, Rogers, Slogan, Smallwood, Southam, Stefanson, Tucker, and Webb. (29)

In attendance: Messrs. G. G. Burt, General Vice-President, *Canadian Labour Congress* and Director, *U.A.W.*; C. Coburn, Assistant Research Director, *U.A.W.*; W. F. C. Kidd, Research Director, *United Steel Workers of America*; John Belligham, Chairman, *Farm Implement Council*, *Canadian Labour Congress*; Stanley Knowles, Executive Vice-President, *Canadian Labour Congress* and Dr. Eugene Forsey, Director of Research, *Canadian Labour Congress*.

The Chairman introduced Mr. Burt who, in turn, introduced the members of his delegation.

On behalf of the Canadian Labour Congress Agricultural Implement Committee, Mr. Burt presented their brief.

The Committee questioned the witnesses on the brief of the Canadian Labour Congress Agricultural Implement Committee brief.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING (25)

The Committee reconvened at 2.35 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Argue, Boulanger, Clancy, Clermont, Cooper, Doucett, Fane, Forbes, Gundlock, Hales, Hicks, Horner (*Acadia*), Kindt, Korchinski, Lahaye, McBain, Mandziuk, Muir (*Lisgar*), Nasserden, Noble, Peters, Slogan, Smallwood, Southam, Stefanson, Tardif, Tuckers, Villeneuve, and Webb. (29)

In attendance: same as at morning sitting.

The questioning of the witnesses on the Canadian Labour Congress Agricultural Implement Committee's brief was concluded.

On behalf of the Committee, the Vice-Chairman, Mr. Smallwood, thanked the witnesses for their appearance.

At 6.05 p.m. the Committee adjourned until 9.30 a.m. Friday, June 2nd.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

MONDAY, May 29, 1961.

The CHAIRMAN: Gentlemen, I believe we have a quorum and the meeting will come to order. Before we start our proceedings, Mr. Horner has a correction which he wishes to make.

Mr. HORNER: (*Acadia*): I should like to make a correction on page 716 of the report of our proceedings for May 19. At about the second paragraph on that page there is a question and I am reported as saying:

Massey's profits in 1954 when they were not incorporated as Massey-Ferguson.

That should read:

When they were incorporated as Massey-Ferguson.

The CHAIRMAN: Thank you, Mr. Horner. Gentlemen, this morning I am very pleased to welcome the Canadian labour congress who will present a brief from their agricultural implement committee. You may recall that these gentlemen were scheduled to appear before us several weeks ago and I know the committee regretted their not being able to be with us at that time. However, we are very pleased to welcome them here this morning, and I now introduce to you Mr. George G. Burt, who is the general vice president of the Canadian labour congress and the director of the U.A.W.

Mr. GEORGE G. BURT (*General Vice-President, Canadian Labour Congress, and Director of U.A.W.*): Gentlemen, on behalf of our agricultural implement committee I should like to express our regrets for any inconvenience we might have caused as a result of our request to have the date of our appearance changed. The reason for our request was that I had hoped to have the president of the congress with us this morning, but I have failed in that because he was too busy and had another assignment. I had him tied down until last week but still he was unable to come.

Our committee is actually a council. For many years we have had a council functioning in the agricultural implement industry, a council composed of representatives from each of the organized plants in Canada. The group you see at the back of the room—I may say I am not going to introduce them individually—are the members of the agricultural implement council, which is a standing council and committee of the Canadian labour congress.

At the top of the room, participating with me in these deliberations, are Mr. John Bellingham, from International Harvester's plant at Hamilton, who is chairman of the farm implement committee; Mr. Cleve Kidd, who is director of research for the united steel workers of America; Mr. Karl Coburn, who is assistant director of research for the U.A.W., and behind them we have Mr. Stanley Knowles. I think most of you know Stanley. He was in the House of Commons for many years and is an executive vice-president. With him is Doctor Eugene Forsey, director of research for the Canadian labour congress.

Gentlemen, I trust you all have copies of our memorandum. I am not sure if it has been the practice of your committee to follow summaries, but this document in itself is a summary. We are not facing you with the rather formidable documents that I understand you have been presented with since you started these hearings, and we have tried to stick strictly to the point we want to make, and to which we commend your concern and investigation.

The Canadian labour congress agricultural implement committee representing the workers in farm implement plants, appreciates this opportunity to appear before you. The price of farm implements is obviously a matter of great concern to farmers, and more and more so as farming becomes more and more mechanized. It is also a matter of great concern to farm implement workers, since needlessly high prices cut down the demand for our products, and this means less work and wages for us.

Farm implement prices, like nearly all other prices, have risen steeply since the end of the war. From 1947 (which we take as our base year, since 1946 was a year of reconversion) to 1960, the index of farm implement prices to the farmer has just about doubled: from 126.3 to 254.2 (1935-39=100; D.B.S. Price Index Numbers of Commodities and Services Used by Farmers).

Most of the increase in farm machinery prices took place between 1947 and 1952. The farm machinery (retail) price index increased 54.7 per cent in the five years from 1947 to 1952. This is over twice as much as the 27.1 per cent increase in the seven years from 1952 to 1959.

It is often alleged that the reason for this rise in prices is the rise in farm implement workers' wages. We propose, in this submission, to examine this allegation in the light of the facts revealed by official statistics, and also to suggest a possible alternative explanation which, we think, is more valid, and which we therefore suggest is better worth careful investigation by this committee.

Wages and Prices

It is not how much a worker gets per hour or per week that has a bearing on costs and prices, but rather how much he produces for what he gets. The price per unit of production is influenced by the wage cost *per unit* rather than by the wage rate *per hour*. And there are other costs (also per unit of output), such as material costs, salary costs, and capital costs, which also influence prices, perhaps more than wages.

Furthermore, high prices also cause high costs. Management price decisions imply output decisions. The maintenance of a managed or administered price requires control and restriction of production. When demand is declining, an administered price cannot be maintained or advanced unless output is effectively restricted.

As each firm's production falls below the level of optimum operating efficiency, unit wage costs, as well as other costs) will rise, even though hourly wage rates remain unchanged. The consequent rise in costs provides pressure for a further price rise.

Thus, at least some part of the rise in unit production costs for the farm machinery industry is due to management's price decisions and their effects upon the volume and efficiency of production.

Analysis of Cost Increases

Unfortunately, the dominion bureau of statistics is unable to provide us with sufficient data for a direct comparison of wage costs per unit of output with manufacturers' selling prices for farm machinery for the period since 1947. However, the available statistics are sufficient to show that the price increases to farmers were not primarily caused by the wage increases obtained by production workers.

A statistical analysis of costs in the manufacture of agricultural implements is difficult because no index of manufacturers' selling prices is available except for a very short period. However, two other price indexes are available. One is the index of retail prices paid by farmers, which of course can be affected by price changes of imported machinery and by changes in dealer mark-ups. The other is the index of export prices received by Canadian

manufacturers. Since, over the period studies, both of these indexes tended to move quite closely together, it is felt that they probably do represent as well as any other figures available, the movement of manufacturers' selling prices. We have, therefore, in the following analysis used the D.B.S. index of retail prices to adjust the figures for dollar value of production and obtain data on physical volume of production.

As will be shown later, there is evidence which suggests that retail prices have risen faster than manufacturers' selling prices due to a widening of distributors' price spreads. To the extent that is true, all manufacturing costs, including wage costs, have contributed less to the rise in prices paid by farmers than the following calculations would suggest.

This table shows the distribution of the sales dollar in the agricultural implement industry in 1947, 1952 and 1958. I might say we stress the period from 1947 to 1952 because that was the period of greatest expansion and greatest development in the industry. It and the other tables are explained as we go along.

TABLE 1
DISTRIBUTION OF THE SALES DOLLAR
THE AGRICULTURAL IMPLEMENTS INDUSTRY,
1947, 1952 AND 1958

	1947	1952	1958
	per cent of gross selling value of production		
Wages.....	29.1	24.1	24.4
Salaries.....	5.9	6.2	9.4
Materials.....	55.7	53.4	55.3
Fuel & electricity.....	1.6	1.1	1.4
Other costs and profits.....	7.7	15.2	9.5
	100.0	100.0	100.0
	\$'000		
Total wages.....	25,982.3	49,703.5	34,139.2
Total salaries.....	5,261.6	12,720.2	13,205.2
Total cost of materials.....	49,799.4	109,827.5	77,274.3
Total cost of fuel & electricity.....	1,461.9	2,169.8	1,959.4
Other costs & profits.....	6,918.1	31,354.5	13,192.3
Gross selling value of production.....	89,423.4	205,775.5*	139,770.4**
Value added by manufacture.....	38,162.1	74,257.2	60,536.7

* Value of factory shipments.

** Value of factory shipments (\$133,145,309) plus inventory increase for finished goods and goods in process (\$6,625,161).

SOURCE: DBS, The agricultural implements industry, annual reports.

TABLE 2
THE AGRICULTURAL IMPLEMENTS INDUSTRY
PRINCIPAL STATISTICS, 1952 AND 1958
ON BASE, 1947 as 100

	1952	1958
¹ Total Wages.....	191.3	131.4
¹ Total Salaries.....	241.8	251.0
¹ Total Material Costs.....	220.5	155.2
¹ Total Cost of Fuel & Electricity.....	148.4	134.0
¹ Non-Specified Costs & Profits.....	453.8	190.7
¹ Gross Value of Production.....	230.1	156.3
² Prices (Retail).....	154.7	187.4
³ Volume of Production.....	148.7	83.4
¹ Value Added by Manufacture.....	194.6	158.6
⁴ Costs Per Unit of Output:		
Wage Costs.....	128.6	157.6
Salary Costs.....	162.6	301.0
Material Costs.....	148.3	186.1
Fuel & Electricity Costs.....	99.8	160.7
Non-Specified Costs & Profits.....	304.8	228.7
Total Costs (Price).....	154.7	187.4
⁵ Average Hourly Earnings.....	170.2	203.2
⁶ Output (Volume) Per Man-hour.....	132.3	128.9
⁷ Total Man-Hours (for wage earners).....	112.4	64.7
⁸ Value Added per man-hour.....	173.1	245.1

¹ D.B.S. *The Agricultural Implements Industry*, annual reports.

² D.B.S. *Price Index of Commodities and Services Used by Farmers, Component for Farm Machinery Prices*.

³ Gross Value of Production deflated by Farm Machinery (Retail) Price Index.

⁴ Index of the Total Cost divided by Volume Index (3), and multiplied by 100.

⁵ D.B.S., *Review of Man-Hours and Hourly Earnings, 1945-59*.

⁶ Index of Average Hourly Earnings (5) divided by Index of Unit Wage Cost and multiplied by 100.

⁷ Volume Index (3) divided by Index of Output per man-hour (6) and multiplied by 100.

⁸ Value Added Index divided by Total Man-hours Index (7), and multiplied by 100.

Prices and Wage Costs: 1947-1958

Between 1947 and 1958 the industry's gross selling value of output increased by 56.3 per cent. This was due to a price rise of 87.4 per cent, offset by a 16.6 per cent decline in volume of production. (See Table 2).

The total wages paid by the industry rose by \$8.1 million, or 31.4 per cent, from \$26.0 million to \$34.1 million. But for the \$8.1 million more paid out in wages the industry got \$50.4 million more production value (up from \$89.4 million to \$139.8 million). Thus, the wage share of the industry's sales dollar was reduced from 29.1 cents in 1947 to 24.4 cents in 1958. (See Table 1). There was little change in the shares paid for materials (down from 55.7 cents to 55.3 cents) and for fuel and electricity (down from 1.6 cents to 1.4 cents). However, much larger shares of the sales dollar went to salaries (up from 5.9 cents in 1947 to 9.4 cents in 1958) and to "non-specified costs and profits" (up from 7.7 cents to 9.5 cents).

It would be somewhat remarkable if there had not been some wage and other cost increases after 1947, considering the general demand inflation which followed the removal of wartime price and wage controls. Workers' living costs increased sharply, and if wages had not been increased, their living standards would have been reduced in a period of generally rising productivity and standards of living.

However, as the analysis will show, price increases were far in excess of those which could be justified by the relatively small increase in wage costs.

In the 1947-1952 period particularly, the sharp increase in demand for farm machinery in both the domestic and export markets enabled the manufacturers to raise their prices well beyond the levels justified by the increasing costs, as is shown by the very substantial increase in their profits.

Following 1952 the fall in farm income in Canada and the United States produced a sharp decline in volume of agricultural implement sales, especially since the manufacturers failed to meet the decline in volume with cuts in their already inflated prices. The result was an increase in wage costs per unit of production which is less attributable to increases in hourly wage rates than it is to the less efficient use of labour which almost inevitably results from declines in production.

Nevertheless, the 57.6 per cent rise in unit wage costs from 1947 to 1958 accounts for only a relatively small portion of the 87.4 per cent price rise. If unit wage costs had been held at the 1947 level, farm machinery prices in 1958 would still have been at least 70.7 per cent higher because of the increases in other costs and profits. Even if the total 87.4 per cent price increase had been the result of higher manufacturing costs, higher wage costs would have accounted for only 16.7 per cent; higher salary costs, 11.8 per cent; higher material costs, 48.0 per cent; higher fuel and electricity costs, 1.0 per cent; and non-specified costs and profits account for 9.9 per cent. (See Table 3).

(It should be emphasized again that the following calculations assume no increase in dealer price spreads; to the extent that price spreads did increase, wage and other manufacturing costs contributed less to the rise in prices than these figures would suggest.)

TABLE 3

THE AGRICULTURAL IMPLEMENTS INDUSTRY:
CHANGES IN COSTS PER UNIT OF OUTPUT AND CHANGES
IN THE DISTRIBUTION OF THE SALES DOLLAR,

1947-1958¹

	Distribution of the Sales Dollar: 1947	Cost Per Unit of Output: 1958 as % of 1947	Distribution of the Sales Dollar: 1958 (1947 as 100)	Distribution of the 1947-1958 Price Increase
	(a)	(b)	(c) = (a) × (b)	(d) = (c) - (a)
Wages.....	29.1¢	157.6%	45.8¢	16.7¢
Salaries.....	5.9¢	301.0	17.7¢	11.8¢
Materials.....	55.7¢	186.1	103.7¢	48.0¢
Fuel and Electricity.....	1.6¢	160.7	2.6¢	1.0¢
Non-specified Costs and Profits.....	7.7¢	228.7	17.6¢	9.9¢
Total Price (Cost):.....	100.0¢	187.4%	187.4¢	87.4¢

¹ Assuming no change in dealer price spreads.

SOURCE: Data of Tables 1 and 2

Column (a) of table 3 shows how the sales dollar was divided in 1947: 29.1 cents for wages, 5.9 cents for salaries, 55.7 cents for materials, 1.6 cents for fuel and electricity, and 7.7 cents for other costs, including profits.

Column (b) shows how the cost of each of the above items per unit of output increased percentagewise between 1947 and 1958. Their combined effect, including that of profits, was to increase prices by 87.4 per cent so that equipment which sold for \$1.00 in 1947 sold for \$1.874 in 1958.

Column (c) shows how costs for the same piece of equipment were distributed in 1958. Wages had gone up from 29.1 cents to 45.8 cents, salaries from 5.9 cents to 17.7 cents, materials from 55.7 cents to 103.7 cents, fuel and electricity from 1.6 cents to 2.6 cents, and non-specified costs and profits from 7.7 cents to 17.6 cents.

Column (d) shows simply the difference between the costs in 1947 and the costs for the same item in 1958. As far as wages are concerned, the significant fact is that out of a total cost increase of 87.4 cents, only 16.7 cents, or less than one-fifth, was attributable to wages. With no wage increases at all, costs could still have gone up 70.7 cents in the dollar.

The other fact of importance, which is brought out in column (b) of the table, is that percentagewise, wage costs per unit of output rose less than any other item, and far less than costs for salaries or the "non-specified costs" item which includes profits. Compared with the 57.6 per cent rise in wage costs per unit of output are unit cost increases of 201.0 per cent for salaries; 86.1 per cent for materials; 60.7 per cent for power; and 128.7 per cent for non-specified charges and profits. If we had data on dealer price spreads all the above figures might be reduced, but the wage cost would still show the smallest percentage increase.

The figures can be analyzed in another way, using the data of table 1. From 1947 to 1958, as noted above, gross selling value of production rose 56.3 per cent. Taking out the value of raw materials, fuel and electricity, we get the value added by this manufacturing industry.

This "value added" rose almost 59 per cent, while the total wage bill rose only 31 per cent. In 1947, wages made up 68 per cent of value added; by 1958 the percentage had fallen to 56. In 1947, for every \$1 of wages he paid, the employer got back \$1.47 in value added; by 1958, for every \$1 of wages, he got back \$1.77 in value added. Take a further comparison. Average hourly earnings of wage-earners rose 103.2 per cent; but value-added per man-hour rose 145.1 per cent. (The 103.2 per cent increase in average hourly earnings for the farm machinery industry compares with an increase of 104.5 per cent in durable goods manufacturing and 106.8 per cent in non-durables, between 1947 and 1958).

TABLE 4

AGRICULTURAL IMPLEMENTS INDUSTRY, AVERAGE NUMBER OF
EMPLOYEES, 1947, 1952 AND 1958

	Average Number of Employees:		
	On Salaries	On Wages	Total
1947.....	2,325	13,688	16,013
	Supervisory and Office	Production Workers	
1952.....	3,293	14,753	18,046
1958.....	2,655	8,356	11,011

SOURCE: D.B.S. *The Agricultural Implements Industry*, annual reports

The volume of output per man-hour went up 28.9 per cent between 1947 and 1958; this includes a gain of 32.3 per cent from 1947 to 1952, offset by a decline of 2.6 per cent from 1952 to 1958 when volume of production was declining.

Between 1947 and 1958, the number of salaried employees increased 14.2 per cent and the number of wage earners declined 39 per cent. Total man-hours (for wage earners) dropped by 35.3 per cent.

Prices and Wage Costs: 1947-1952

The above evidence is sufficient, we think, to establish the fact that over the entire period since 1947 wages were a very minor factor in the increase in prices in the agricultural implement industry. However, this is even more clearly evident if we consider separately the period from 1947 to 1952. This may seem like going back a long way. But this is the period in which the greatest part of postwar price increases took place—a 54.7 per cent increase between 1947 and 1952, compared with a 27.1 per cent increase between 1952 and 1959. In addition, as we pointed out earlier, the effect of wages on total costs is blurred after 1952 because a great deal of the increase in wage costs per unit of production is due to the fact that production was falling, rather than to any increase in actual wage rates.

Table 5 shows the data presented in the same way as in Table 3, but covering the period 1947 to 1952 only.

TABLE 5
THE AGRICULTURAL IMPLEMENTS INDUSTRY
CHANGES IN COSTS PER UNIT OF OUTPUT AND CHANGES
IN THE DISTRIBUTION OF THE SALES DOLLAR
1947-1952¹

	Distribution of the Sales Dollar 1947	Costs per Unit of Output: 1952 as % of 1947	Distribution of the Sales Dollar 1952 (1947 as 100)	Distribution of the 1947-1952 Price Increase
	(a)	(b)	(c) = (a) × (b)	(d) = (c) - (a)
Wages	29.1¢	128.6%	37.4¢	8.3¢
Salaries	5.9¢	162.6	9.6¢	3.7
Materials	55.7¢	148.3	82.6¢	26.9¢
Fuel and Electricity	1.6¢	99.8	1.6¢	0
Nonspecified costs and profits	7.7¢	304.8	23.5¢	15.8¢
Total Price (Cost)	100.0¢	154.7%	154.7¢	54.7¢

¹Assuming no change in dealer price spreads
SOURCE: Data of Tables 1 and 2

As the table shows, the price of an item that cost \$1 in 1947 had increased by 1952 to \$1.547. Of the 54.7 cents increase, only 8.3 cents could be attributed to wages, 3.7 cents to salaries, 26.9 cents to materials and 15.8 cents to non-specified costs and profits.

Referring back again to the data in table 1 and table 2, between 1947 and 1952, gross value of production gained 130.1 per cent, due to a 54.7 per cent rise in prices combined with a 48.7 per cent rise in volume. But while

production value rose 130.1 per cent the total wage bill increased only 91.3 per cent, and the wage share of the sales dollar dropped to 24.1 cents from 29.1 cents.

By comparison, "nonspecified costs and profits" showed a jump of 353.8 per cent in the annual total and 204.8 per cent per unit of production. This residual cost category doubled its share of the sales dollar from 7.7 cents in 1947 to 15.2 cents in 1952.

The D.B.S. figures do not separate out the companies' profits from "nonspecified costs". But the Department of National Revenue in its *Taxation Statistics* does publish not only profits of the agricultural implement companies, but data which enable us to calculate the net worth, or value of the stockholders' equities in the companies. The companies covered are probably not exactly the same as those included in the D.B.S. figures, but the major companies are presumably in both lists.

The National Revenue figures show that profits of the companies increased from just under \$17 million in 1947 to over \$40 million in 1952. What is even more significant, this represented an increase in return on the stockholders' equities from 16.9 per cent in 1947 to 25.7 per cent in 1952, in spite of the fact that the 1947 figure excludes companies that lost money while the 1952 figure includes them.

Obviously during this period, prices were not being pushed up by wage costs, but rather they were being pulled up by a rising demand, which enabled the companies to raise both their prices and their profits.

When demand rises faster than supply, prices rise, even while production costs may remain relatively stable. Cost increases follow the price increases. Between 1947 and 1952 farm machinery prices rose 54.7 per cent in response to sharp and quick demand expansion in both the domestic and foreign markets.

Prices and Wage Costs: 1952-1958

During 1952-1958, gross value of production declined 32.1 per cent. Prices rose 21.1 per cent in spite of, and partly because of, a 43.9 per cent drop in volume of production.

The price inflation of this period was certainly very much different from the previous period. Between 1947 and 1952 demand for farm machinery was increasing more strongly and quickly than the supply. The upward pressure on prices came primarily from a pressing demand. The producers charged more because they could get more—and the farmers could pay more because of their higher cash incomes. After 1952, demand declined, but supply declined even more, and prices continued to rise—21.1 per cent to 1958. This is much less than the 54.7 per cent price rise between 1947 and 1952, but more surprising, considering the declining demand and an enlarged production capacity. Reduced farm cash incomes and rising farm machinery prices are probably major causes for the decline in farm equipment production. Restriction of output at less than optimum efficiency levels causes costs to rise. If volume had been maintained in 1958 at a higher rate of operating capacity, output per man-hour most likely would have been greater and unit wage costs would have been lower.

Considering the 43.9 per cent drop in volume of production, it is quite remarkable that unit wage costs did not rise much more than 22.6 per cent. Average hourly earnings rose 19.4 per cent between 1952 and 1958, compared with the 70.2 per cent 1947-1952 rise. Value-added output per man-hour, however, increase 41.6 per cent. In 1952, wages represented 67 per cent of value added; by 1958, the share had fallen to 56 per cent.

The 22.6 per cent rise in unit wage costs is equivalent to a 5.4 per cent rise in prices. Thus, even if there had been no change in wage costs since 1952, prices would still have been at least 15.7 per cent higher (instead of 21.1 per cent) in 1958, because of the rise in the other costs.

What the Price Indexes Show

The question of the relation between wages in the Canadian agricultural implement industry and the prices Canadian farmers pay for their agricultural implements is, however, we submit, of minor importance. The reason for this startling statement is that the bulk of the farm implements used in Canada are imported (chiefly because so few tractors are produced here), while more than half of the Canadian production is exported. The Canadian farmer, therefore, is really more concerned with the prices of American farm implements than with those of Canadian farm implements. We suggest, therefore, that this committee might well investigate the relationship between the price at which American implements come into this country, or Canadian implements sell at the plant, and the price at which they reach the Canadian farmer. There is strong evidence to suggest that in recent years much of the increase in price that Canadian farmers pay for both has been due to an increase in distribution costs.

Three indexes of prices of agricultural implements are available for the period 1947-1959, and a fourth for a shorter period.

The first is the farm machinery price index which is a component of the price index of equipment and materials used by farmers, itself a component of the price index of commodities and services used by farmers. This is published three times a year in the D.B.S. *Price Index of Commodities and Services Used by Farmers*. The farm machinery price index is, of course, an index of retail prices to farmers. It is based on list prices for dealers, and therefore does not reflect any discounts or trade-in allowances dealers may allow to farmers.

We have been informed that these discounts and allowances have been increasing in recent years. If that is the case, the actual price increase to farmers has not been as great as the index shows. We feel the committee might well look into this matter.

The second index is the index of import prices of farm machinery. This is the United States index of wholesale prices of farm machinery and equipment, adjusted for changes in the exchange rate. It is based on prices f.o.b. factory, and therefore does not reflect movements of freight and other charges which would be contained in import prices on this side of the border.

The third index is the index of export prices.

The third need not particularly concern us here. This committee is not worried about what the American farmer pays for Canadian implements, and could not do much about it if it was. It is not without interest, however, that the index of export prices, which, of course, are wholesale prices, has moved up in almost exactly the same degree as the domestic retail price index over the whole period 1947-1959. In 1956, for example, the export price index on the base 1947=100 was 166.6, and the domestic retail price index 165.8. In 1957, the corresponding figures were 178.1 and 177.2. In 1958, they were 188.3 and 187.4. In 1959, they were 197.8 and 196.7. It is really astonishing that the movement of domestic retail prices, which are mainly prices of imports, should so closely parallel the movement of export wholesale prices.

Our astonishment deepens when we compare the movement of domestic retail prices with that of wholesale import prices. In the first few years after 1947, the two were fairly close together. But in 1951, the spread between them widened markedly, and in 1952 even more so; and it has stayed very wide ever since. In 1956, for example, the import price index was 136.3, on the base 1947=100, while the domestic retail index was 165.8. In 1957, the corresponding figures were 138.3 and 177.2. In 1958, they were 146.4 and 187.4. In 1959, they were 149.9 and 196.7.

In other words, the retail price of farm implements appears to have gone up just about twice as fast as the wholesale price of imported implements which make up the greater part of retail sales. Between 1947 and 1959, import prices went up 49.9 per cent, but retail prices went up 96.7 per cent.

A further piece of interesting evidence is supplied by the agricultural implement industry selling price index made available just a few weeks ago by D.B.S. for the years from 1956 to 1959. This is an index of Canadian manufacturers' selling prices, and we would have used it in place of the retail price index in our earlier analysis, except that it is not available for years before 1956.

This new index shows that between 1956 and 1959 Canadian farm implement manufacturers' selling prices increased by 10.1 per cent. In the same period the retail price paid by Canadian farmers increased by 18.6 per cent however.

For convenience, table 6 shows all three indexes for the period, on the base 1956=100.

TABLE 6

INDEXES OF MANUFACTURERS' SELLING PRICE, IMPORT PRICE
AND RETAIL PRICE, AGRICULTURAL IMPLEMENTS, 1956-1959
(1956=100.0)

Year	Manufacturers' Selling Price	Import Price	Retail Price
1956	100.0	100.0	100.0
1957	103.8	101.5	106.9
1958	108.2	107.4	113.0
1959	110.1	110.0	118.6

Source: D.B.S.

In other words, the prices of Canadian-made implements at the plant increased by 10.1 per cent, and the price if imported implements at the border increased by 10.0 per cent, yet the prices paid by Canadian farmers for these implements apparently increased by 18.6 per cent. We doubt that transportation costs have increased enough to account for more than a fraction of the difference.

These comparisons do not constitute proof that there is a price spread of this size, as the content and weighting diagrams of the three indexes may well be very different. Neither do they prove that the dealers are making inordinate profits, or that the system of distribution is inefficient. As we noted earlier, the retail price index does not take into account discounts and trade-in allowances, which may well have been increasing under competitive pressure. This would mean, of course, that dealers had simply been increasing their mark-ups to compensate for the increased discounts or allowances so that farmers who thought they were driving hard bargains may really have been getting no bargains at all. This may not seem very ethical, but it has been known to happen in other industries also.

Any or all of these factors may account for the wide gap between manufacturers' and import prices on the one hand and retail prices on the other. But the gap is there, and it strongly suggests the possibility that profiteering or inefficient distribution or other causes may be pushing distributors' mark-ups steadily higher, and that this may be an important reason why farmers have to pay more for agricultural implements than they should. At any rate, there seems to be a strong *prima facie* case for investigation by this Committee.

I think you will note, gentlemen, that one of the things that concerns us is this constant assertion—and it is done in the press, radio and every other public outlet as well as in statements by people who apparently have not got the facts—that one of the chief reasons for the rise in cost of implements is because the big bad unions are constantly forcing up wages. We have attempted here to prove that there are other factors besides wages that contribute to increases in prices and that would bear the scrutiny of this House of Commons committee. We have put in considerable work in our brief in relating it to the available statistical figures published by D.B.S., and we hope you will give it your earnest consideration and that our contribution to the committee will be worth while.

The CHAIRMAN: The meeting is open for questioning.

Mr. HORNER (*Acadia*): Mr. Chairman, my first question deals with table 1 on page 3. I notice there that in the year 1958 you have added to the gross selling value of production the inventory figure of \$6,625,161. Was this inventory added to 1952 as well as to 1947?

Mr. CARL COBURN (*Assistant Director of Research, United Automobile Workers, Windsor*): I do not believe this is the way D.B.S. calculates the figures, and I believe it was some time after 1952 that they adopted the process of revising their figures by taking into account the inventory.

Mr. HORNER (*Acadia*): I would like to point out to the committee that I have before me the 1958 *Agricultural Implements Industry* publication put out by D.B.S. In that particular publication for 1958 they have not added inventory. The total gross is \$143 million, and down below the inventory is taken into consideration. I see where they get their \$6 million. My point is this, that inventory was not added in 1952 and it was available in the *Agricultural Implements Industry* for 1952. There is again inventory for that year of over \$5 million, according to figures out of the 1952 *Agricultural Implements Industry* publication. I hope members will agree that it would perhaps be better to compare three years, either using inventory for all the three years or leaving the inventory out in all the three years. Do you agree with that?

Mr. COBURN: I think it would be desirable to do it that way. The figures we had available to us did not seem to present themselves in that way. We may have slipped up in our calculations.

Mr. HORNER (*Acadia*): As I read them out of the publication, the figures are there quite clearly. An inventory is not added unless you care to add it in. I would like to point out to the committee that if inventory is left out of 1958 and percentages are worked of the gross selling value of production, and using the figure of \$133 million rather than \$139 million, as you will see at the bottom of that chart, the wage percentage is 25.64 rather than 24.4 per cent. The salaries percentage is 9.91 rather than 9.4. The materials percentage is 58.03 rather than 55.3; the fuel and electricity percentage is 14.7 rather than 14, and the important one—I want to emphasize this—other costs and profits is 4.95 per cent rather than 9.5 per cent. This is where the important part comes in; the other costs and profits, leaving the inventory out, are reduced roughly 3½ points. To verify my figures and calculations, in the Saskatchewan brief, at the back—I do not know whether too many members looked at it—they worked out the gross profit in the *Agricultural Implements Industry* using D.B.S. figures. They worked out the various profits, leaving inventory out, I presume, and for the year 1958 the gross operating profit is a percentage of the gross selling value. I am reading from page 681 of the committee proceedings. They have the percentage worked out to 4.9 rather than 9.5 for the year 1958. This verifies my own figure of 4.95. I have worked it out to one further decimal place. This changes the whole context here.

Mr. COBURN: Mr. Horner, the point is that if you leave out the inventory increase you get, as you pointed out, a much lower value for other costs and profits simply because you are not taking into consideration the value of the inventory which the manufacturers had in their plants. This was certainly something they had produced and which they had; it was part of their property and required to be taken into account. If it had been possible to present figures for all three years with inventory it would have been done, but the figures were not available. We did not feel that it would be proper to present figures which gave only a partial picture, when D.B.S. for that year was able to give us figures which presented the whole picture.

Mr. HORNER (*Acadia*): All I said was: would it not be better to take all of them one way or the other?

Mr. COBURN: It is better to take the most accurate figures.

Mr. HORNER (*Acadia*): In reading the 1952 agricultural industry statement on page 1—this is D.B.S., I obtained it from the parliamentary library. Anyway, I have them here and I want to read this out. It says:

Inventory value of finished products—

This is for 1952, and I maintain you have not included it in 1952. You have not included it in 1947 either to my knowledge; so I think you should not have included it in 1958. That is all I am saying. This continues:

Inventory value at the end of 1951—

—which we would assume would be the beginning of 1952—

—amounted to \$6,156,000; and at the end of 1952, inventory was valued at \$11,392,000.

There you have a gain in inventory of over \$5 million—roughly \$5,200,000. If this was not added to the \$205 million in your gross selling value of your table—and these figures were available, as I picked them out at the library; percentage is only a comparison. That is all I say. I am not saying if profits have decreased or increased; but in drawing a comparison between the three various years, one should use similar figures.

Mr. COBURN: I agree we would have done better to have included that inventory figure for 1952. I do not know how it was we happened to miss that out, but we did. That would have given you an increase of your value added by the manufacturer to roughly \$210 million, instead of \$205 million. No, I am sorry—your gross selling value of production and value added by manufacturer would have gone up to about \$79 million, and the percentages would have been affected accordingly.

Mr. HORNER (*Acadia*): I agree it should have been in, but I have failed to find inventory for 1947 in the D.B.S. figures. It is not given for 1947. Therefore, if you are going to use it for 1947, I would say it should not have been left out completely. You are using 1947 as a base.

Mr. COBURN: You have this problem constantly in regard to statistical material. The D.B.S. and other agencies which cover it are refining and improving their methods constantly. Where that refining consists of getting a more accurate figure, it seems to me that it would not be sound practice deliberately to distort that figure to make it less accurate, just so that it compares with some earlier year.

Mr. HORNER (*Acadia*): If you are drawing a comparison with this earlier year, you should use like figures. That is all I am saying. Would you not agree with that?

Mr. COBURN: I agree that is generally sound.

Mr. HORNER (*Acadia*): All right. For this comparison, if inventory is not given for 1947, it was given for 1952, and is not used, so there is no logical reason why it should be, for this comparison, included in 1958.

Mr. COBURN: Except that if you do not include it your figures are simply that much less accurate.

Mr. HORNER (*Acadia*): But if you do include it in drawing a conclusion in regard to the figures in which it was used, your figures are also not correct. Then you are not comparing like things.

Mr. COBURN: You are comparing them as closely as you can get.

Mr. HORNER (*Acadia*): No, you are not comparing them as closely as you can get. You are comparing it just the other way around.

Mr. KINDT: It is quite evident that there is bias in that statement, and that the committee should throw out that table for any consideration. You cannot compare like things unless they are made like. When the figures are compiled on different premises, the end result cannot be compared when it is translated into percentages.

Mr. COBURN: All I can say is that if you are going to throw out all figures because there has been some change in the manner of calculation at D.B.S., in the exact manner in which they give it, you find you have no figures at all.

Mr. NASSERDEN: I think that is exactly what the committee think. We have not got any figures here. We have not got a true consistent comparison, and if we have not got that, it serves no useful purpose.

Mr. HORNER (*Acadia*): I do not think the table has to be thrown out. I have read off my calculations and if the gentlemen here want to check them during the lapse of time between this meeting and the next, I would think this may be done, and they might bring in, perhaps, a better comparison between the years 1947 and 1958, using the year 1958 without that value of inventory added. I think it would change a few figures in the explanation of the table. For example, on page 5, for non-specified costs and profits, shown there as being up from 7.7 cents to 9.5 cents, they would be down from 7.7 cents to 4.95 cents, according to my figures. That would make a change throughout, there. These gentlemen have gone to a lot of work to present this table, and in presenting it; and I would not suggest that we throw it out absolutely.

Mr. COBURN: I would like to point out that the point we are most concerned about in table 1 is the percentage that wages represent of the gross selling value of production. As Mr. Horner has pointed out, this change would be a very small amount, from 24.4 to 25.64. That is a relatively small change and it maintains the relationship which is there in wages between 1947 and 1958, that wages declined substantially as a proportion of total costs. Even if the figures are slightly changed, the basic point remains the same.

Mr. HORNER (*Acadia*): Material has made the biggest jump from 1955 to 1958, roughly speaking.

Mr. BOULANGER (*Interpretation*): It seems to me that Mr. Horner has a point, because if we take out table 1, the following figures shown in that brief will probably have to be modified. I believe I am justified in suggesting we should revise the figures so as to give a brief in which the figures will be consistent throughout.

The CHAIRMAN: Mr. Coburn, during our recess, before we meet this afternoon, could you revise this table, using the statistics Mr. Horner has quoted so that there would be a proper comparison?

Mr. COBURN: I could endeavour to look at the figures. I presume I can get the statistical material from the parliamentary library. I say that if that is done, the comparison will be much less accurate.

Mr. HORNER (*Acadia*): It will be more accurate.

Mr. COBURN: This is a matter of interpretation.

Mr. KORCHINSKI: On page 6 you have another table which has a relation to table 1. You are multiplying (a) times (b), that is to say, 29.1 cents multiplied by 157.6 per cent, giving you 45.8 cents. If you use the proper relationship for distribution, your end result will be different again. Therefore, this whole brief is really distorted. If you check through it closely, you may find there are other similar examples. One page relates to the next. If you start from the first table, and find there is a discrepancy in that one, I do not know how one is going to assess this properly at all.

Mr. COBURN: I still submit that the figures will be more distorted.

Mr. KORCHINSKI: I submit this will be distorted.

Mr. MANDZIUK: Are they not distorted now?

Mr. COBURN: The increase in the inventory represents goods which have been produced. It represents increased value, which is in the manufacturer's pocket. If you say you are not going to take that into account, that you are going to pretend he did not manufacture those goods, you are simply distorting the figures. It is quite true that for 1947 you had to do that, because D.B.S. simply did not obtain that information. But it seems to me that does not justify you in taking the process down the years when the information is available. I will be happy to make a correction for 1952, where apparently the information is available.

Mr. HORNER (*Acadia*): If you are going to use 1947 as a base—and you are using 1947 as a base in table 2—and if in table 2 you are using the figures you have presented in table 1, 1947 has not got inventory figures available, so all I can say is that inventory should remain relatively constant. The gain in inventory should remain relatively constant—in 1952 a gain of \$5 million; in 1958, a gain of \$6 million. Therefore, I think a figure which remains relatively constant could be very easily left out, particularly in a comparison. We are not trying to arrive at exact profits or exact expenditures in wages. What we are trying to do is draw a comparison.

Mr. COBURN: What happens if you leave inventory out all along is that you deflate the profit figure by the total amount of that inventory, because you pretend that is something the employer does not have.

Mr. HORNER (*Acadia*): The profit figure, because of leaving inventory out, would be deflated to a certain percentage, I agree; but it would be deflated in every case, more than likely, the same; so we can only say this profit figure—

Mr. COBURN: Not necessarily. I do not know what happened to the inventory each year, but I think it is common experience that inventory goes up in some years, and goes down in others. You cannot assume the same increase in inventory every year. If you can assume it and simply say you are going to leave it out, then you would be saying you are going to lop off \$5 million profits of this industry each year, and not take them into account.

Mr. HORNER (*Acadia*): All I am saying is that you are using 1947 as a base. The value of inventory is not available for 1947, as far as I know—and apparently you were not able to find it either. It is available for 1952, and apparently you were not able to find it either. It is available for 1952, which you never used. And it is available for 1958, which you did use. All I am saying is that you should have used inventory in all cases, or you should not have used inventory in all cases. It was not available for the base year you chose, and therefore I think it should not have been used in either of the other years. That is all.

Mr. COBURN: I would suggest that the reason D.B.S. put that inventory figure in as soon as they were able to get it was because they realized that the figures were much less satisfactory without it.

Mr. HORNER (*Acadia*): I would like to point out to the committee, Mr. Chairman, that in the 1958 *Agricultural Implement Industry Report*, catalogue 42-202, on page 6, table 1 gives the principal statistics of the agricultural implement industry, and table 2 is an altogether different table on the same page which gives you the inventory in raw materials and processed goods for various provinces throughout Canada, bringing a total for the beginning of the year 1958 and the closing of the year 1958. Therefore, I suggest that inventory is an added figure to the D.B.S. figures for the year 1958. It is not in the original table setting out the gross selling value of production in table 1 of the D.B.S. figures.

Mr. W. S. CLEVE KIDD (*Director of Research, United Steelworkers of America*): At this point, there is a difference of opinion on interpretation, but we will have to reassemble this table. It seems to me—I was not in on the original—that the figure for 1947, which is the gross selling value of production, may well be a figure including inventory. On re-examination we can find out if this is so; and if this is so, we will be back to the position that our original calculations were correct. There is a difference between the value of production and the value of factory shipments. It may well be that, as the D.B.S. find, these figures include the factory shipments plus inventory. They are probably included in the original figures, or the original total value of production.

Mr. SLOGAN: I think our trouble stems from the fact that there has been a change in the D.B.S. index—I believe it was in 1949—and when we look at other figures we usually get the comparison range, 1949 to 1960. I think that by going back before 1949 you are comparing two entirely different sets of figures. On page 1 you use 1935-1939 equal to 100, but I think that figure was revised in 1949. Therefore, I think all these comparisons are somewhat distorted. We have learned from various briefs that from 1949 to 1960—and various briefs have corroborated this—the percentage of profit in the farm implement industry has been an average of 3 per cent. I think that if you deduct the non-specified costs from the profit column you will find this to be accurate. I would suggest that this whole brief is pulling the wool over our eyes, and I suggest we adjourn until you can use a comparison of 1949 to 1960, which I think would be valid. Once you go back before 1949, you come up against trouble, because the whole index is changed, and then all we are doing is picking holes in the figures. I do not think it will be accurate to any extent.

Mr. COBURN: The fact that the indices were changed to a 1949 basis instead of a 1935 to 1939 basis does not interfere with the validity of comparisons at all.

Mr. SLOGAN: Yes, because there are different items used as the index.

Mr. COBURN: Yes, but D.B.S. made all the necessary adjustments to enable you to put these things together. If you go back only as far as 1949, what will happen is that you are simply omitting two of the years in which the farm implement industry made some of its largest profits.

Mr. SLOGAN: Is not that what you are doing? You are taking the period 1947 to 1952. This adjustment period is right in the middle of that period, so it will give some true reflection of what happened in 1947 to 1952. However, we are more interested in what is happening in 1961. We have to compare with the past in order to get a true picture, but the type of comparison which you have given here is completely misleading.

Mr. COBURN: The point is that all the figures indicate that between 1947 and 1952 there was a very substantial increase in the price of farm implements. That was when the major increase took place. The increase between those two years was about twice as great as all the increases which have taken place since, percentage-wise. If you do not go back earlier than 1949, you are simply leaving out a large part of the period in which the phenomenon you are concerned with took place.

Mr. SLOGAN: I still think the fact that 1949 came in right in the middle of the period 1947 to 1952 makes that comparison far more valid than if you were simply to try to compare 1960 or 1958 with 1947, because if you are going to do that you would have to hire a whole bunch of statisticians who would spend a lot of time trying to correlate all the figures you use.

Mr. COBURN: You do not gain information by throwing away part of the information you have.

Mr. SLOGAN: Could you please tell me when your price controls came off?

Mr. COBURN: In 1946, I think.

Mr. SLOGAN: That might be part of your answer—if prices went up the way they did in 1947.

Mr. COBURN: Certainly the fact that price controls went off is one of the reasons prices went up.

Mr. SLOGAN: That still would not give you a true picture over a long period of time, as to what went on. It would not give you a true comparison.

Mr. BURT: We are in the position that we wanted to know what happened the prices at a time when they went up more than in any other period of time.

Mr. SLOGAN: That is so if you are giving a true picture, but, obviously, you are not giving a true picture.

Mr. BURT: I think we are, and I do not think we should change or retract our position. We think it is proper to remember, in respect to the inventory, that the manufacturer has the inventory in his pocket. You can assume, or make a statement, that the inventory was not included in one of these figures, but you do not know whether it was or not.

Mr. SLOGAN: The fact is, that the main things we are interested in comparing are the profits in this industry as compared to wages; and even in the profits you have a whole bunch of unspecified profits included. In table 2, taking 1947 as base 100, you give non-specified costs and profits as 453.8 in 1952 and 190.7 in 1958.

Mr. COBURN: The main thing in which we are interested is a comparison of wages and profits. We do not have the profit figures, and we do not pretend we do. The other costs in our profits figures certainly do include other costs, and we have not tried to suggest to this committee that they do not. We are chiefly concerned with the relationship between wage costs and total costs. The change of the inventory figures will produce only a very minor change in that relationship.

Mr. SLOGAN: To take one figure in table 1, that figure of 9.5 in 1958 as "other costs and profits". Would you agree that between 1960 and 1949 the average profit on your index, compared to the sales value, was between 2 per and 4 per cent, on the average, in the farm implement industry?

Mr. COBURN: These figures do not give me any idea as to what the average profit was in the farm implement industry.

Mr. SLOGAN: I am giving you the figure. Would you agree?

Mr. COBURN: I cannot agree or disagree. I do not know what the figures are.

Mr. KORCHINSKI: Mr. Chairman, I am going on to a slightly different subject. On page 2, the first paragraph says:

It is not how much a worker gets per hour or per week that has a bearing on costs and prices, but rather how much he produces for what he gets.

I would very much like to agree with that, except that on page 11 the brief says that from 1952 to 1958 demand declined. On that page also, it says:

During 1952 to 1958, gross value of production declined 32.1 per cent.

Yet on the same page, in the second paragraph after that, you also say that the average hourly earnings rose 19.4 per cent. Can you explain why hourly earnings went up, production went down, and yet on page 2 you tell us it does not really matter, that it is really a production relationship.

Mr. BURT: Are you referring to the 19.4 per cent increase that we referred to in the last paragraph on page 11?

Mr. KORCHINSKI: Yes.

Mr. BURT: In relation to what we say in the first sentence of the second paragraph, that gross value of production declined. All our analysis here is on that kind of relationship. The reason the average hourly earnings rose is in relationship to the gross value of production.

Mr. KORCHINSKI: Yes, but when your production went down, why in the world must your wage have gone up? Could you indicate why you want to keep a relationship there? And why, when your production is going down, you require an increase during that period?

Mr. COBURN: Because of living costs.

Mr. BURT: Living costs are going up.

Mr. KORCHINSKI: On page 3 you give table 1, and I would like to quote some of your figures from it. For example, you state that wages in 1947 were 29.1. For the purpose of my argument here I am using your 24.4; whether it is accurate or not will have to be checked. You also state that salaries went up from 5.9 in 1947 to 9.4 in 1958. Actually, there is a separation between wages, because that is hourly wages, or weekly wages, as opposed to the salary. That all really means that somebody is working in this case right through. Someone is getting paid for some work done.

Mr. BURT: That is right.

Mr. KORCHINSKI: I think you will agree that in the materials figure the cost of labour also is included. Will you agree that in the 1939 inquiry the cost of labour in the cost of steel was estimated at 35 per cent, and so on. That was 1939 or 1937.

Mr. BURT: I do not know whether the percentage is right, but I remember the hearings.

Mr. KORCHINSKI: That was the relationship, I think, at that point, so if there was an increase—as you say you required an increase—someone else required an increase, and therefore in the end this all boomerangs and snowballs.

Mr. BURT: But there is a relationship between the manner in which it boomerangs. If you read the whole of our paragraph on page 11, it may become more clear. What has occurred—and this is what we have been trying to point out—is, as we say at the foot of page 11:

Value added output per manhour, however, increased 41.6 per cent. We are not making a case for an increase in wages, but we point out that where productivity increases—and I think it has become almost a national slogan in

some circles, that workers' productivity has not been increasing—it has been increasing far faster than wage increases. I think you will agree that if workers' productivity increases, they are entitled to have some consideration given to an increase in pay. According to our figures the productivity has increased far more than those increases in pay.

Mr. KORCHINSKI: You indicated that there was a decrease in the period. Why do you not take a decrease in wages? Let me go on—

Mr. BURT: You did not.

Mr. KORCHINSKI: Yes, I did. I am a farmer, sir. I did.

Mr. COBURN: May I point out that as shown in the table on page 3 there was an increase in the total wages paid. The total wages paid in 1952 were \$49,703,000 and in 1958 they were \$34,139,000. There was not a decrease in real wage rates, but there certainly was a decrease in the wage bill, which accompanied a decline in production.

Mr. KORCHINSKI: I shall deal with that shortly. There is one more thing in your submission. You indicate that labour, materials and transportation had been made factors in the cost of machinery. Now, if you look at the graph which I am getting prepared for me at the moment, you will find a relationship between wages and freight rates. As wages go up the cost of freight has been going up.

Mr. BURT: I do not think it is always in just that proportion. That goes for commodities other than transportation. It goes for agricultural implements, to which we point here. When we get a wage increase their price rises, but there does not seem to be any reason for the amount of the increase in price. The same thing applies to the steel industry, and I think Mr. Kidd could point out that wage increases have been used as an excuse for price increases, when many times that is not correct.

Mr. KORCHINSKI: Earlier you indicated that you were not concerned with what the profit was. You are trying to relate your increases to productivity, and you are not ordinarily concerned about what the manufacturers make.

Mr. COBURN: We are concerned about what they make but, as I think the brief makes clear, we fully recognize the figures available from the D.B.S. do not tell us what the profits were.

Mr. KORCHINSKI: Has automation greatly affected the output per worker?

Mr. BURT: Yes, we say it has. However, it depends on what you mean by automation.

Mr. KORCHINSKI: In the industry.

Mr. BURT: The government has set up a committee on technological changes, of which I am a member, and so far I do not think we have found a satisfactory definition for automation. The word "automation" was only coined in the last few years, but technological changes have been taking place, I guess, ever since Adam. It is reflected in the productivity per worker, with which we are dealing in this memorandum.

Mr. KORCHINSKI: Could it have been a contributing factor in the increased productivity?

Mr. BURT: It could. It would have an effect in two ways, in the decrease in the number of employees, as we point out here, and also it would have an effect on the increased productivity.

Mr. KORCHINSKI: So, in actual fact, the actual wage earners may not have contributed as much, except for the effect of automation?

Mr. BURT: In our industries we take care of that by what we call an improvement factor, which is used for determining the amount which we are entitled to on increased productivity. I may say, however, that I do not think it is sufficient.

Mr. KORCHINSKI: Therefore, if you found out there was higher production and you did not demand an immediate increase in wages, if you retained your wages at the level they were before production was increased, it might mean an increase in profits to the companies and, if the companies were convinced they should reduce their prices, that would mean a reduction in the cost of farm machinery to the farmers? If you looked at it first of all from the point of view of what is your responsibility, and then if the managements could be convinced of their responsibility, it could mean a reduction in prices?

Mr. BURT: I think we would be prepared to do that, but we have never found a management of any size prepared to reduce its prices in the last 15 years.

Mr. COBURN: As a matter of fact, our union in bargaining with the automobile industry has offered several times that if the companies would reduce the price of their cars by \$100 a unit we would accept whatever kind of wage pattern was feasible, within the consequent price reduction. The companies, however, have always refused to take us up on that.

Mr. KORCHINSKI: Then could you indicate why, since the C.N.R. is working at a loss, you still have to get an increase?

Mr. BURT: You would need to have Frank Hall here to answer that.

The CHAIRMAN: I think that line of questioning is straying from our orders of reference.

Mr. HORNER (*Acadia*): My other question deals with page one of the brief. You suggest, and I shall read from the middle of the page:

The index of farm implement prices to the farmer has just about doubled; from 126.3 to 254.2.

I am not going to quarrel with that, except to say it has a little more than doubled. You say it doubled, meaning it has increased 100 per cent; but actually it is 102 per cent. You then go on to say:

Most of the increase in farm machinery prices took place between 1947 and 1952. The farm machinery (retail) price index increased 54.7 per cent in the five years from 1947 to 1952. This is over twice as much as the 27.1 per cent increase in the seven years from 1952 to 1959.

My question on that part would be: In drawing a comparison, as you have here on percentages, do you not believe it would be better if those percentages were worked out on the same basis?

Mr. COBURN: I think not. What we are trying to show is the percentage from 1947 to 1952, and the percentage from 1952 to 1959. Now, you can work the figures out in another way, and you will get somewhat different figures which will mean something else. What we were trying to tell the committee is that the percentage doubled from 1947 to 1952, as compared with the increase from 1952 to 1959. This is a perfectly valid way of presenting the figures. The fact that someone else could think of some other way of presenting the figures does not make this less valid. If we had done it another way, some other members of the committee might have said: "Do you not think it would be better to show the percentages from 1947 to 1952 and from 1952 to 1959?"

Mr. HORNER (*Acadia*): Here you have drawn a comparison between the two periods, the increase between 1947 and 1952, and you say that is twice as

much as the increase between 1952 and 1959. Let us say, for example, the index was 40 at one particular period and it increased 20 points. That would be a 50 per cent increase. Do you agree?

Mr. COBURN: Yes.

Mr. HORNER (*Acadia*): Then you could have the index going up to 60 points, and say in the next given period it increased by the same amount, another 20 points. Do you understand what I mean? Then you would have an increase of 33 per cent. There you have two periods, and you are comparing two identical alike increases and two different percentages.

Mr. COBURN: But they are not two identical alike increases.

Mr. HORNER (*Acadia*): But you are concerned with two given periods, using a different basis for both comparisons. You have figured out the first increase as so much, and you have figured out the second increase per 100 on a new basis, on the 1952 basis.

Dr. FORSEY: It is twice as fast a rise.

Mr. MONTGOMERY: It is also different machinery. It is a different type of machinery.

Mr. HORNER (*Acadia*): I have pointed out that you have an identical alike increase of 20 points—

Dr. FORSEY: Points, but not percentages. The point is that an identical point increase in one case shows a much faster rise in the other, taking your base as 100 in each case.

Mr. HORNER (*Acadia*): I do not object to that at all. You can take any base here you like and go from there, but I say in comparing two years one should use the same base so that the results are true comparisons.

Dr. FORSEY: But you are not comparing two years. You are comparing rises over two different periods, and if you compare the rate of increase over two periods you simply cannot use the same base at all. It is arithmetically impossible.

Mr. HORNER (*Acadia*): Using your interpretation, supposing the increase shows the index goes to 400 or 500, then a rise on that would be a relatively small increase?

Dr. FORSEY: Yes.

Mr. HORNER (*Acadia*): In comparison?

Dr. FORSEY: Yes, certainly.

Mr. HORNER (*Acadia*): Then the higher the figures get, the slower the percentage of rise will go?

Dr. FORSEY: For a given number of points, it should.

Mr. HORNER (*Acadia*): So that, let us assume the increase will be up quite high in 1970, then your rise will be relatively slower?

Dr. FORSEY: Over the period from 1958 to 1970, certainly. This is an arithmetical truism.

Mr. HORNER (*Acadia*): I would not object to using the comparison in that way, but I would point out to the committee that that is not the way it is done in this particular instance. It has always been my interpretation that percentage means part of 100. In this particular case you have had an increase from 1947 to 1958 or something like 95 per cent or 96 per cent?

Dr. FORSEY: Yes.

Mr. HORNER (*Acadia*): And in the first five years of that period the increase was 54.7 per cent, and in the next seven years the increase was more like 41 per cent or 42 per cent?

Dr. FORSEY: Of what?

Mr. HORNER (*Acadia*): Of taking the year 1947 as a base.

Dr. FORSEY: Certainly.

Mr. HORNER (*Acadia*): We farmers realize there has been a drastic increase in prices, and that increase actually rose to 102 per cent from 1947 to 1960, but you have decided to use the year 1959, when it had increased roughly 95 per cent. That is not the exact figure, because I have not got my figures before me. However, it was something like 95 per cent from 1947 to 1959. Now, we all realize in working out percentages we must arrive at a maximum of 100. We all realize it must be 100, and all I am saying is that in this case the 100 per cent is 95 per cent, and that if the increase had been 54 per cent in the first five years it must have increased by the balance in the next seven years.

Dr. FORSEY: Certainly. The rate of increase in the last seven years was much higher than the rate of increase in the previous five years.

Mr. HORNER (*Acadia*): You mean much slower?

Dr. FORSEY: Much slower.

Mr. HORNER (*Acadia*): I would agree, because it took seven years to increase 42 per cent, and only five years to increase 54 per cent. I am not arguing with that. All I am saying is that it has not been twice as much.

Dr. FORSEY: It has, in terms of the increase. It is the rate of increase which this whole paragraph is about.

Mr. HORNER (*Acadia*): I do not see the word "rate" mentioned at all in this paragraph.

Mr. NASSERDEN: In page six, table three, you give wages as 157.6 per cent and salaries as 301.0 per cent.

Mr. BURT: What page is that?

Mr. NASSERDEN: Page six, table three, column B; and somewhere you made a statement that the cost of labour did not affect them, and was not too important so far as the final price of machinery was concerned.

Mr. BURT: We did not say that. Comparatively speaking, it represents a smaller proportion than we think is generally supposed to be the case.

Mr. NASSERDEN: According to these figures it would represent something over 40 per cent, in wages and salaries alone. Then there are also materials, in which there would be labour costs.

Mr. COBURN: You are adding wages and salaries together, but we are following the D.B.S. practice in keeping them separate.

Mr. NASSERDEN: So far as we are concerned, there is no difference between wages and salaries. They are paid to people working in the industry.

Mr. BURT: You would think there was a difference if you were working on the hourly rate.

Mr. NASSERDEN: That is a problem for you and the companies to haggle about. So far as the farmers are concerned, these are costs which he has to pay, and they go to the employees of the companies.

Mr. COBURN: From the point of view of a trade union there is a great difference between the wages which we negotiate, and the salaries, about which we have no say whatsoever.

Mr. NASSERDEN: I am not going to argue about that. They still constitute roughly between 40 per cent and 45 per cent of the cost of the unit. Then there is the cost of the labour that should be included in the materials, and so on. So I think it fair to say that the price of labour in the production of farm machinery is a very important factor in the final price.

Mr. BURT: There is no doubt about it. We are not quarrelling about that; we are pointing out how salaries went up comparatively. I think probably one

of the reasons for that is the change in distribution between the hourly rated people and the white-collar or salaried workers. There is a change taking place throughout industry in both Canada and the United States. There is an ever increasing number of salaried workers and a diminishing number of blue-collar workers. We just show the distribution here. We have never said any place that wages do not account for a substantial amount of costs. Of course they do; they could not help but do that, but the proportion is much smaller than is supposed. According to public statements we have read, we are entirely responsible for the increases in prices that are going on right now, particularly that the trade union movement is solely responsible for inflation in Canada. That is just a lot of nonsense.

The CHAIRMAN: Mr. Nasserden, this would be an opportune time to adjourn. We will meet again this afternoon at 2.30.

AFTERNOON SITTING

MONDAY, May 29, 1961.

The CHAIRMAN: I believe we have a quorum this afternoon, gentlemen.

Mr. Slogan, I think you have a question.

Mr. SLOGAN: Earlier I think the witness mentioned the fact that there has been an increase in the cost of living during the period under consideration. Would you give me an idea as to how the average hourly earnings have increased in comparison with the cost of living increase?

Mr. BURT: In what period?

Mr. SLOGAN: You could take the period 1949 to 1960.

Mr. COBURN: We do not have those figures here. Certainly wages have gone up faster than the cost of living because workers in this industry, like in other industries, have gained from the productivity of the unions.

Mr. SLOGAN: On page 343 of our minutes of proceedings and evidence there is a graph showing that since 1946 the cost of living price index rose sixty-five per cent and in a similar period the average hourly earnings have risen 149 per cent. It would perhaps help us if you could give us a comparison of the wages in the implement industry compared to wages in other industries.

Mr. COBURN: I think the only figure is with regard to the rate of increases in wages between 1952 and 1958 compared to other industries.

Mr. BURT: Durable goods and non-durables.

Mr. SLOGAN: But are the present wages in the agricultural implement industry not quite a bit higher than in the durable goods industry?

Dr. FORSEY: But it is part of the durable goods industry?

Mr. SLOGAN: I have some figures here which are based on D.B.S. figures for December, 1960, showing the average earnings in the agriculture industry were 2.13, in the durable goods 1.97, transportation and equipment 2.08, iron and steel production 2.09; and all manufacturing lumped together 1.82. The other thing which I wanted to mention here is that the factors of primary concern to the farmer in the makeup of his costs are iron and steel, in respect of the implements, in which the hourly earnings are 2.09, and transportation, in which the hourly earnings are 2.08. Then in the agricultural implements themselves the average hourly earnings are highest of any at 2.13 as compared to 1.97 in the durable goods industry.

Mr. COBURN: Those comparisons are very tricky, because unless you investigate the whole field you do not know how much of that differential is due to higher production or more highly skilled workers in one industry, or how

much of it is due to higher wage rates for the same job. Our experience has been that in similar industries wage rates for the same kind of work do not tend to be very much different one from the other. However, you certainly will find differences in the mix of workers in one industry as against another, which may produce a difference in the overall average earnings. The other problem which arises when you take figures for just one month is that these are gross hourly earnings which include overtime, and unless you look at the number of hours worked in the industry you do not know whether or not the figures for one industry may contain more overtime than those for another.

Mr. SLOGAN: I believe these are the latest figures available. Would you agree that the wages paid in the agricultural implement industry are as high as or higher than in any other industry.

Mr. COBURN: I do not think so; not when you take wages for the same kind of workers. You may be able to make comparisons on the basis of the average earnings of workers, but that is not the same thing.

I have found the figures mentioned in our brief. Between 1947 and 1958 the average earnings of workers in the farm machinery industry increased by 103.2 per cent, in the durable goods industry by 104.5 per cent and in non-durables by 106.8 per cent. I would suggest that it is the hourly increase which is more significant than the level of earnings. There may be all kinds of factors, particularly the mix of skills.

Mr. SLOGAN: The same figures would apply here. If the agriculture industry enjoyed such a wonderful year in 1947, perhaps the wages had increased substantially at that time. When you compare them with durable goods over the next 15-year period, you are going to get a distortion.

Mr. BURT: There is something else in the agricultural implement industry, and that is the matter of incentives. Some of the durable goods industries have no incentives, but the agricultural implement industry does have incentives, which tend to increase production rates. Generally you find that the labour rates in two such industries do not compare well. You may have quite a difference, even in that respect, which may tend to make it look as though wages in the agricultural implement industry are higher. The point we are trying to make in this brief is that wages are in direct ratio to the amount produced. The wage rate per hour is not so important. It is when you apply wage rates to the total amount produced that you get the proper analysis.

Mr. SLOGAN: My final question has to do with tariffs. In the farm implement industry we find a relatively free market across the border. Do you agree that has not hindered the implement industry in Canada to any extent?

Mr. BURT: I think it has been an advantage to have the situation as it is now because, according to the figures available to us, the American market, which I presume is what your are talking about, has been developed by the industry. We have been successful in competing against the big companies in the United States in certain fields. However, in the tractor industry we have not been so successful, with the result that one particular company in Canada, which only produces tractors, is taking quite a licking right now in respect to imports from the United States, chiefly because of the volume coming in. Otherwise, we have developed quite a good business with the United States, and this, I might add, also gives the farmers in Canada an opportunity to buy as cheaply as the farmers in the United States, which is not true in the automobile industry. If you buy a car in Detroit you will find there is quite a big difference in what it would have cost you had you bought it in Windsor, just across the border.

Mr. SLOGAN: Do you claim it is desirable to have a situation such as exists in the farm implement industry, in other industries; such as the automobile industry?

Mr. BURT: I do not think it applies across the board. These plants have been built up over many years with the aid of tariff protection, and because of the tremendous dislocation it would cause in employment, along with other considerations, one could not give a straight answer and say all tariffs should be wiped out. Careful consideration would have to be given to it. After all, if an industry is good for Canada, maybe it should be protected in some measure. Maybe we have industries which are not so good for Canada and we could do better in some other way, but so far as a stock answer in this field is concerned you might not be able to apply the same yardstick to the agricultural implement industry which has built up an American business with no tariff.

Mr. SLOGAN: This is my final question. Do you agree with the statement that, relatively speaking, the worker in, say, the agricultural implement industry, as compared with the farmer over the same period of time, has been able on an hourly basis to purchase more food than he could previously, whereas the farmer, on the basis of what he sells, has been able to purchase less?

Mr. BURT: I have no figures to prove that. I do not know what the farmers are able to purchase. We do know that their income has been steadily declining and we ourselves are very concerned about that, because it can affect employment in the agricultural implement industry also. Anything which affects detrimentally the agricultural implement industry, which is one of Canada's greatest, is of concern to us. An examination of the whole picture, and probably a little more planning on the part of the Canadian government, might result in some relief.

Mr. KORCHINSKI: I would like to ask—

The CHAIRMAN: I am sorry, Mr. Fane is next.

Mr. FANE: I have a couple of questions which I wished to ask before we recessed for lunch. I should like to ask the witness, why does the brief include special or separate items for salaries and wages? They all enter into the price of the thing which is being produced, and I should like to know how you can separate them. The people who are working for wages cannot get on without the people who are working for salaries.

Mr. BURT: We wish we were all on salary.

Mr. FANE: That is no answer.

Mr. BURT: We do not believe that the worker who is paid by the hour should be paid by the hour, while the guy in the front office is paid by the year. We would all like to be paid by the year and put on the same basis, but that is not possible. The reason we have separated these items is because we negotiate for the wages and in most cases we do not negotiate for people who are on salary, particularly for those on salary in supervisory or executive positions. We would have nothing to do with their wages, and so there is no bargaining going on between the two. Another reason for separating the items is that these figures have been separated by the D.B.S.

Mr. FANE: In other words, you do not count them in since you do not negotiate for them?

Mr. BRUNT: We count them in, but here they are separated.

Mr. FANE: If you talked for them you would count them together?

Mr. BURT: No, we would still separate them.

Mr. FANE: I cannot see the sense of that. They both form part of the cost.

Mr. BURT: We would agree with that, and maybe we will be able to convince the manufacturing companies that our people should be paid by the year, like the executives in the front office. When that is done we will put them all together.

Mr. FANE: In your brief you remarked that material is the greatest part of the cost other than, of course as you would say, the profits. However, you do not give a figure for the cost of wages which go into the manufacture of the material that is used. Labour costs are involved in material before it is ready to be put into a machine. There are several types of wages added to the cost of the material.

Mr. BURT: Yes, but those figures are not available to us. I doubt if anyone, no matter what his training might be, could come up with an answer to that, considering that the material comes from so many sources, and involves thousands and thousands of parts from I do not know where. However, those costs are included in the figures we have submitted for material.

Mr. FANE: You have just counted the cost of the material, and not the part of it cost which is taken up by labour?

Mr. BURT: It is quite impossible to get that figure. We should very much like to have it. On the other hand, we have not included that part of the cost of material which is taken up by profits.

Mr. MUIR (*Lisgar*): Evidence has been presented to the committee to show there has been some integration of farm machinery manufacturing on a continental basis, and I should like to ask the witness does he consider it a desirable development from the farmers' standpoint?

Mr. BURT: Yes, we do. We believe it would be far better if we could buy into the American market in other industries. It would be far better for Canada, and here I think we are speaking about the American market generally. But it would also be good for Canada in other foreign markets if we could produce some of the things we make here in greater volume. That would reduce their price, and I think a good example of that is what has been happening in the agricultural implement industry. I would imagine that if we only supplied the Canadian market with farm implements from our Canadian companies, and had a tariff wall against the importation of American farm implements, generally speaking the agricultural implement industry would go off.

Mr. MUIR (*Lisgar*): The Canadian farm machinery companies compete on an open market tariff-free basis with American companies, but the American companies have a considerable freight advantage, particularly at the moment in the large areas of the middle west. Do you feel Canadian companies might have other advantages that would enable them to be even more competitive?

Mr. BURT: They have a wages advantage.

Mr. MUIR (*Lisgar*): That leads me into my next question. According to the evidence submitted to the royal commission on Canada's economic prospects, by Fullerton and Hampson, wages in Canadian secondary manufacturing industries are some 25 per cent below similar wages in America, and output per man is something like 35 per cent to 45 per cent below that in the United States. These conclusions are reached in the royal commission report of 1957, page 239, which I am going to quote:

If scale is the main problem for our manufacturers in competing with imports from the United States, the level of Canadian wages to some extent neutralizes the disadvantage. It has been estimated that wages in Canadian secondary industry are some 25 per cent below those in the United States, reflecting a roughly equivalent difference in the per capita productivity of the two economies. The fact that the difference in productivity in secondary industry is greater than the gap in wages is an advantage, however means that in this sector union labour costs tend to be higher in Canada than in the United States.

Would this suggest to you, sir, that unless Canadian efficiency goes up, labour costs are indeed a very important factor in Canadian manufacturing?

Mr. BURT: Are you dealing with all secondary industry, rather than with agricultural implement industry?

Mr. MUIR (*Lisgar*): I am dealing with secondary industry, but I think this would apply to you.

Dr. FORSEY: Oh, no.

Mr. BURT: It would not necessarily apply.

Mr. MUIR (*Lisgar*): Why not?

Mr. BURT: Because you have related it to the wage differential in the agricultural implement industry in Canada and the United States. I thought this was another question following on your first question in regard to integration. Some of these industries are not integrated and, as a matter of fact, in the automobile industry the wage spread is much greater between Canada and the United States.

Mr. MUIR (*Lisgar*): These gentlemen, dealing with Canadian secondary manufacturing industries, place our productivity in the Canadian machine manufacturing industry as 25 per cent below that of the Americans.

Dr. FORSEY: In agricultural implements?

Mr. MUIR (*Lisgar*): In agricultural implements, yes, sir.

Mr. BURT: One of the things which is hard to do is to make a comparison, even between Canadian subsidiary plants, such as International Harvester, and subsidiaries which, in the case of Massey-Ferguson, are in the United States. In attempting to make wage comparisons you have to narrow them right down to classifications, and it is awfully hard to get averages, because you have to compare plants exactly. One of the most important things is probably volume, and in the United States they have a tremendous advantage in volume over Canadian plants. I do not think anybody around this table is suggesting that Canadian workers, as a group, are lazy or any less efficient or any less inclined to work than Americans are.

I happen to live in a border city and at times we have made some comparisons in the automobile industry. Sometimes it is true one way in a group of people, and sometimes it is true another way in another group. It is almost impossible to answer the question on the basis on which it is put here. I know that when we are bargaining with manufacturers they will not accept that kind of comparison from us.

Mr. MUIR (*Lisgar*): You will note, sir, I do not allege the Canadian worker is that much less efficient than his American counterpart, but the fact remains that Canadian production—and I do not know how much the worker enters into this—in secondary industry is roughly 35 per cent below that of the American production. I am not alleging that has anything to do with Canadian workers whatsoever. It may be in the tools they have to use.

Mr. HORNER (*Acadia*): Automation.

Mr. MUIR (*Lisgar*): That is something the committee should consider.

Dr. FORSEY: May I make one comment? I do not think you can regard the Canadian implement manufacturing industry as a typical secondary Canadian industry. I think it is a special case, because it has free access to the American market, which most Canadian secondary industries have not got, and therefore it enjoys the advantage of large scale production because it has a continental market. I have not looked at these figures of the royal commission, the Gordon commission, recently. I cannot recall what they are, and I cannot recall the actual productivity figures for the agricultural imple-

ment industry being in it, in any case. Perhaps they are, but I do not remember them. The other point to remember is that these figures are outdated and, so far as I know, they have not been kept up to date. As I recall it, the last figures filed in that report were for 1955 and, of course, quite substantial changes have been made since then.

Mr. MUIR (*Lisgar*): I have one last question. I think it is on page 3 of your brief you allege that one of the reasons for the high cost of farm machinery is because of the distributors' price spreads, and yet evidence given to this committee by the Canadian federation of implement dealers was to the effect that their mark-up on farm implements has remained at 25 per cent on the marketing price over the years, and that the mark-up on parts has remained at 27 per cent throughout the same period. In other words, the dealers tell us they have not increased their mark-up, as you allege in your statement.

Mr. BURT: We suggest to you there is evidence to show they have, and the evidence, as we see it, is shown later on on page 14 of the brief, table 6.

Mr. MUIR (*Lisgar*): What page is that?

The CHAIRMAN: Page 14, table 6.

Mr. COBURN: All the D.B.S. figures show is simply that during the relatively short period from 1956 to 1959 manufacturers' selling prices went up 10.1 per cent, the import prices, at the border, of the implements that came in, went up 10.0 per cent, and the D.B.S. index of related prices paid by farmers went up 18.6 per cent. This certainly suggests there has been an increase in the dealers' mark-up. We do not know what the cause of that increase has been, but our brief suggests it is something which this committee might well inquire into. I think these figures pretty well speak for themselves.

Mr. MUIR (*Lisgar*): Of course you realize that since that time there has been quite a substantial increase in transportation costs and distribution costs?

Mr. BURT: I do not think they would make that much difference.

Mr. MUIR (*Lisgar*): I did not say that much.

Dr. FORSEY: I would not think so.

Mr. COBURN: I did not say so.

Mr. MUIR (*Lisgar*): We are more or less inclined to have to take the word of the implement dealers until they are proven wrong.

Mr. COBURN: I suggest, sir, these figures prove them wrong.

Mr. MUIR (*Lisgar*): These figures are D.B.S. figures, not your figures, so if somebody is proving the farm implement figures are wrong, it is really the dominion bureau of statistics figures which are wrong.

Mr. HORNER (*Acadia*): Supplementary to that particular point, I do not think Mr. Argue means to mislead the implement dealers. I think he has supported before this committee the implement dealers along with the rest of us, but the point that is meant here is that the distribution costs have risen. That may not be the dealer's distribution costs. The company's costs may have risen, but it may not be in the 20 per cent dealer's mark-up.

Mr. BURT: We qualify that on page 15.

Mr. COBURN: We do not know where the actual increase takes place, but there certainly appears to have been a sharp increase somewhere in the cost of distributing farm implements.

Mr. HORNER (*Acadia*): That is not necessarily in the dealer's profit.

Mr. COBURN: That is right; you have to differentiate between mark-up and profit.

Mr. HORNER (*Acadia*): We had evidence before that mark-up has not gone up, but the company's share of distribution may have gone up. That accounts for your figures on page 14.

Mr. COBURN: Undoubtedly distribution costs have gone up very sharply.

Mr. HORNER (*Acadia*): My next question deals with your statement on page 5 of the brief. You say:

However, as the analysis will show, price increases were far in excess of those which could be justified by the relatively small increase in wage costs.

I wonder what you mean by "relatively small increase in wage costs"? That is between the years 1947 and 1952 where the biggest increase in machinery prices occurred.

Mr. COBURN: Taking into consideration the fact that wages themselves represent only between 25 and 30 per cent of the total cost, and, secondly, that a substantial part of the increase in wages is counterbalanced by the increase in productivity, our figures show that for 1947 to 1952 wage costs per output have only gone up 28.6 per cent, while the total cost went up 54.7 per cent.

Mr. HORNER (*Acadia*): I would like to point out to you, sir, that in considering wage costs you say: "relatively small increase", you do not say "other costs", you say they are justified by a relatively small increase in wages.

Mr. COBURN: Relatively, because it does relate to other costs.

Dr. FORSEY: And to the total.

Mr. HORNER (*Acadia*): I looked up some figures in the *Agricultural Implements Industry* publication by D.B.S. and in the review of man hours and hourly earnings from 1946 to 1959, in 1946 the hourly earning was 81 cents an hour, in 1952 it was \$1.60. This appears to be awfully near an increase of 100 per cent. I would say that this would be quite an increase in cost.

Dr. FORSEY: That is not cost, that is hourly earnings. This regards the amount of production you get out of it.

Mr. HORNER (*Acadia*): You take a look at the agricultural industry report. I have figured out that in 1947 the average wages earned per year by a worker in the agricultural implement industry—using the figures that you have in table 1 of your brief—the average wages of a man was \$1,869, and in 1952 the average wages a man earned was \$3,369. This figures out to an increase of 80.25 per cent. Would you still maintain that this is relatively small?

Dr. FORSEY: It is not cost. Look at table 2 on page 4, item 4—costs per unit of output. The wage cost per unit of output in 1952 was 128.6 per cent above what it was in 1947, and total cost per unit of output was 154.7 per cent above what it was in 1947.

Mr. HORNER (*Acadia*): I realize what you are getting at, sir, but I would like to ask you this question before I deal with the cost angle you are presenting. You will agree that wages increased substantially in this period?

Dr. FORSEY: No one ever said the contrary. Earlier you made an observation with respect to wages. From where did you quote first?

Mr. HORNER (*Acadia*): The middle of page 5.

Dr. FORSEY: Wage costs.

Mr. HORNER (*Acadia*): I realize what you mean now by "wage costs". I agree, but I would like to ask you a question. But first to clear up this thought that is in my mind, I wonder if you will agree that hourly earnings have practically doubled, and wages have gone up 80 per cent, as I have quoted in these figures?

Mr. COBURN: Even salaries in the House of Commons have gone up substantially—everyone is concerned.

Mr. KORCHINSKI: Not the farmer's cost.

Mr. ARGUE: The output has gone up too.

Mr. COBURN: Might I say at this point that we have presented briefs to previous governments urging action to do something about income, because we are concerned about this also.

Mr. HORNER (*Acadia*): I am not through with this. I agree with you, sir, and I am not trying to disagree with you at all; I am trying to get this statement clear in my own mind, and you have cleared it up to quite an extent. I realize now—and you can correct me if I am wrong—that machinery has increased 54.7 per cent from 1947 to 1952. Hourly earnings have increased roughly—the average wages paid in the implement industry have increased about 80 per cent in the same period. Am I right in this?

Mr. COBURN: 1947 to 1958, not 1952.

Mr. BELLINGHAM: It is not salaries, also.

Mr. BURT: You are quoting 1947 to 1952?

Mr. HORNER (*Acadia*): 1947 to 1952. All I did was divide this. You have on page 3 total wages paid, and I have taken the number of workers and divided them. I got \$1,869. In the wages paid in 1952, I have taken the number of workers and got this figure out as an increase of 80 per cent. I am wondering if you agree that prices have increased 54 per cent while wages have increased 80 per cent?

I will now proceed to another question with regard to wage costs.

Mr. COBURN: Those two facts are not relevant.

Mr. HORNER (*Acadia*): But you agree with them?

Dr. FORSEY: We have not done the arithmetic in this.

Mr. HORNER (*Acadia*): Would you agree that wage costs—and here you are talking about wage costs per output—would you agree that wage costs per output would vary to some extent with the number of salaried persons? We have had before us companies saying that, for example, the more people are put on salaries in engineering and research, automatically greater efficiency and automation would result in the production workers part of the industry, so that increased expenditure in the salary division might increase output per wage unit in the production division. Is this a relative thing to assume?

Mr. COBURN: That is possible; it is not always the case.

Dr. FORSEY: Most of the workers are people who bring ideas to the boss.

Mr. BURT: We will go this far to say that sometimes an increase in the time study and engineering department makes the man work faster in the back shop.

Mr. HORNER (*Acadia*): Of that you have more knowledge than I.

Mr. BURT: You would agree that it would?

Mr. HORNER (*Acadia*): It might; you have more knowledge of this.

Mr. BURT: We have a great deal of knowledge on that.

Mr. HORNER (*Acadia*): I am looking at it from the farmer's point of view because I am a farmer. If machine companies spent more money in trying to devise simpler machinery, such as they have with regard to the difference between a tiller and a discer, this is a good example, the difference between heavy cast iron pieces that used to be on the older type of machinery and now with malleable iron welded together and so on, the more innovations that are brought in under this line—and I expect machine companies tell us they are

brought in through expenses in research and engineering—I would suggest that to use this might to some extent improve productivity per hour. You would agree with that?

Mr. BURT: That is right.

Mr. HORNER (*Acadia*): I have one further question on productivity per hour. You agree that with regard to productivity per hour one would have to consider the amount of capital used. In other words, productivity per hour of a group of labourers making an implement with poor tools or with outdated tools might be pretty poor? But if a company came in and spent a lot of money in improving their machinery in the shop and improving their tools then their productivity might go up also. Do you agree?

Mr. COBURN: I would add to that that the general experience has been that with more technology and advanced equipment actually the capital required per dollar of production has tended to decline. The productivity of capital has been increasing as well, because what happens is that you may get rid of 20 old machines and replace them with one which costs perhaps 50 per cent more than the original 20 but produces 100 per cent more. This has been common experience in industry. The companies, when they automate, invest more capital.

Mr. HORNER (*Acadia*): This may be your knowledge of industry, which is better than mine, but I am just suggesting that in figuring out wage costs per hour there are other things that have to be taken into consideration such as capital investment. The other suggestion I made here—mentioned it a while ago and you agreed with it—is that these two have to be taken into consideration when you are figuring out wage costs per unit of output.

Mr. COBURN: I do not think they affect the validity of our major contention, which is that any increase in prices resulting from increased wage costs represents only a very small fraction of the total increase in prices.

Mr. HORNER (*Acadia*): Would you give us some idea then of the following. I have suggested to you that prices have risen 54 per cent—this comes from your own brief—and that wages earned by workers have increased 80 per cent, and you did not deny that. Would you also say, or could you give us some idea as to the cost of iron in these various years? I am not speaking of material, I am speaking of iron.

Mr. COBURN: I do not have the figures.

Mr. HORNER (*Acadia*): I carried in enough books and I did not bring any more. I was looking in the library during the noon hour and looking at the index I saw that pig iron and material generally increased more from 1947 to 1952 than it did from 1952 to 1958. Would you have any knowledge of this?

Mr. COBURN: I do not have any knowledge of it but I would think that it is probably true in terms of general prices.

Mr. KIDD: It is quite true. The increases in primary iron and steel since 1957 have been relatively small increases. The last time I looked the increases in rolling mill products only amounted to 3 per cent since 1957. So the bulk of increases came prior to that year.

Mr. HORNER (*Acadia*): I am just putting this in the right light. I do not want to be accused of sticking up for machine companies, because some of them thought I was rough on them. I have quoted you figures on the wage earnings prior to 1952, and you have agreed with my assumption that the increase in material such as pig iron, wrought iron and malleable iron, as you suggested yourself, was greater before 1952 than afterwards.

Mr. KIDD: I could not speak on that. All I said was that the increases had come prior to 1957.

Mr. HORNER (*Acadia*): In looking at indexes in the library, this was the impression I got from them. It would tend to point to the fact that if these basic costs in the machine industry—and I used wrought iron particularly because I wanted to find out what the basic material cost is—if wages went up a substantial amount they must have gone up in iron foundries and other industries, so that material would naturally have risen sharply from 1947 to 1952 more than it did after 1952. Would you agree with this? It would tend to point to the fact that companies might be justified in having a greater increase before 1952.

Mr. KIDD: On that point we have often suggested that there should be a national investigation of primary iron and steel in this country. The first time we asked parliament to investigate steel prices was in 1949. We asked for it prior to 1949. In 1947, in keeping with what my friends the automobile workers said, our union had said we would forgo price increases. That was in 1947, which happens to fit in with a lot of the discussion we are having here. This was refused by industry, to use their words "because it was none of our business". This was primarily in steel. We subsequently asked the parliament of Canada to investigate steel prices; nothing happened. In 1958 we made the same proposition to the iron and steel industry, that they forgo price increases and we would reconsider our wage requests. Nothing happened. We then proceeded to parliament; we wrote to the Prime Minister and asked for hearings on the question of prices. We had a meeting with the cabinet, but nothing ensued from that time until now. We are of the opinion it is unlikely that an investigation of primary steel prices will be carried on in this country for some time to come.

You say that steel wages have increased—certainly they have. I would think offhand that from 1946 until now we probably tripled wages in basic steel. But at the same time we were tripling our wages, our production went up to the point that labour's share of the sales dollar declined from 33 cents to 24 cents on the dollar. I would very much like to see an investigation into steel prices. If you want to find out what caused the rise in the price of iron and steel in the agricultural implement industry, it would be very good. This would get us right back to the basic facts.

Mr. FORBES: What year did you make your request to the government?

Mr. KIDD: We made it prior to 1949. There was a House of Commons committee in 1949 and we asked at that time for a hearing. The last time was in June of 1958—this present government was asked.

Mr. BURT: You have been asking pretty well every year.

Mr. KIDD: This has been a continuing process with the steel unions. We constantly ask them to reconsider.

Mr. ARGUE: This is a standing offer?

Mr. KIDD: I will not say that this offer is valid this afternoon because negotiations are about to open.

Mr. ARGUE: You have requested the federal government for an investigation into the steel industry and it stands as of this afternoon. You, as a representative of the steel workers, welcome this?

Mr. HORNER (*Acadia*): Just one more question on the volume of production. On table 2, page 4 you have besides volume of production, No. (3) "gross value of production deflated by farm machinery (retail) price index". I wonder if you could explain that.

Mr. COBURN: I thought we explained that in the text of the brief, that this was the only figure we had. There are no D.B.S. index figures for that whole period of manufacturing selling prices. They produced their index only very recently for the years 1956 to 1959. We took the retail price index because

it was the only one available, and, as we pointed out in the text of the brief, part of that increase in retail prices has actually been an increase in distribution costs rather than in manufacturing cost. Then all of these figures of cost increase are somewhat lower than the D.B.S. figures would suggest. But we had no choice; we had to take what information was available.

Mr. HORNER (*Acadia*): But do you think this figure would be accurate because of the gross value of production at the factory? I would think that this would be wholesale valuation.

Mr. COBURN: That is right. That is the figure we would very much like to have, yes.

Dr. FORSEY: We can get it for various years, 1956 to 1959, but before that they have not got it.

Mr. HORNER (*Acadia*): So it is difficult to figure that on a retail basis, because you have 20 per cent mark-up, at least.

Mr. COBURN: If the mark-up has not changed, that does not make any difference, because the wholesale price will bear the same relation to the retail price. It is only if the mark-up has changed that this becomes a problem. In this respect, we would hope that your farm implement dealers are correct, because it would simplify our problem.

Mr. HORNER (*Acadia*): I have a good reason to believe that they are. At least, I have not had any reason to believe that they are not. However, I am not going to bother with that particular question any further. I wonder if you could give us some idea of what you consider is in the item "other costs, other than profit"? What do you consider is in that?

Mr. COBURN: As a matter of fact, I think the people with publications on the farm implement industry give a list of some of them. It would include such things as advertising, some administrative costs which are not covered by wages or salaries. It probably includes—

Mr. HORNER (*Acadia*): It would cover capital investment in the industry?

Mr. COBURN: Not capital investment. It would probably cover interest on investment.

Mr. HORNER (*Acadia*): Would it cover retooling?

Mr. COBURN: It might. That would really depend on how the company produce their figures, I should think.

Mr. HORNER (*Acadia*): Would not retooling be a capital investment, to some extent?

Mr. COBURN: I would not know that without being able to look at the company balance sheet. Some of them are inclined to put it in as capital investment, while some others put it in as current expenditure. It would probably include depreciation, however.

Mr. HORNER (*Acadia*): I would like to point out that capital and retail expenditures in the agricultural implement industry vary from one year to the next. In the D.B.S. return for 1952 the total investment was \$12 million in Canadian industry. In fact, in the years 1948 to 1952 the capital investment averaged in the neighbourhood of \$10 million.

Mr. COBURN: Capital investment certainly would not include any unspecified costs.

Mr. HORNER (*Acadia*): I am reading out of this table, for the first listed, construction machinery and equipment—then they give a sub-total—then they add repairs and maintenance expenses, construction and repairs, and machinery equipment. I would think that this would be another cost.

Dr. FORSEY: No, because this capital expenditure would be charged to capital account. Surely, by proper accounting practice, one ought not to charge to cost in the year in which they were made. If that were done it would mean fantastic changes in the cost from year to year. I think that is precisely shown in the case which you cite, because the capital would then vary extraordinarily from year to year. Depreciation would be an annual charge.

Mr. ARGUE: There is one question which I should like to ask in regard to page 2. You make a reference there to "administered prices". I am wondering if I could get some comment on what you really mean by this, and to what extent you may feel there is any genuine price competition in the farm implement industry—in the case of price leadership, or just what the position is in Canada in the farm implement business.

Mr. COBURN: Administered prices generally are prices which are determined in an industry where the number of firms which really determine the price level is sufficiently small that usually one can calculate the effect of what its action will be on the entire market. My own opinion would be that the number of major firms in the Canadian farm implement industry is small enough that one would naturally expect to find some degree of price administration. When you look at the actual record of the industry and find that during a period when the demand for their products was falling very sharply they were still able to increase their prices, I think this is pretty conclusive evidence that there is some degree of price administration in the industry.

Mr. ARGUE: You are not accusing them of forming a combine in the sense of coming under the Combines Investigation Act?

Mr. COBURN: Not at all.

Mr. ARGUE: But what they could bring about by the method you suggest is a fixation of prices that has precisely the same effect?

Mr. COBURN: Yes.

Mr. ARGUE: Which price is at the point the company wish it kept, and since there are but few in the industry, if all keep at that place, they will keep the price there.

Mr. COBURN: Yes. Suppose you have an industry with three major firms—

Mr. ARGUE: Is that correct, in this case?

Mr. COBURN: I think there are slightly more than three, but not a great many more, if you leave out the small firms. If you take firms A, B and C, and find they are all selling at a given price. Firm A may say: "We would like to increase our sales." Again, following the old-fashioned competitive theory, what they would do would be to reduce their price in order to increase their sales, at the expense of firms B and C. But, they know perfectly well that if they do that, B and C will also reduce their prices to the same level. Then, they all will have a reduced profit, in all three firms, and from their point of view they will all be worse off than before. Therefore, they do not reduce their prices. There is no collusion between them, but it operates in the same way.

Mr. ARGUE: When you see there is a price increase in a farm implement—let us say in the case of a very common type of tractor—can you give us some idea of how it comes about? Does Massey-Ferguson put their price up 7 per cent and then Cockshutt comes in with a similar increase, and so on, so that after a matter of a few weeks the end result is that the prices have all gone up by approximately the same amount, for approximately the same type of machine.

Mr. COBURN: I think the way this comes about is simply that Massey-Ferguson, if they are the first company to act, know that if they push prices

up, one of two things will happen—either the other companies will hold the line and Massey-Ferguson will have to bring their prices down again, or the other two companies will say: "Here is an opportunity to bring our prices up safely, too", and the other companies will follow suit. That is generally speaking what would happen.

Mr. ARGUE: It usually happens the latter way?

Mr. COBURN: Yes.

Mr. ARGUE: There has not been a company in recent years which has been reducing its prices?

Mr. COBURN: No.

Mr. ARGUE: You have never heard of one in your knowledge?

Mr. COBURN: No.

Mr. ARGUE: Could you give this committee some idea of the unemployment in the agricultural industry today?

Mr. COBURN: I have not seen the latest figures, but the last figures I did see showed that employment was about not more than two-thirds of what it was eight or nine years ago.

Mr. ARGUE: Is there a recent improvement—better than it was a year ago?

Mr. BURT: It has been getting a little worse.

Mr. ARGUE: It has been getting worse?

Mr. BURT: Yes.

Mr. ARGUE: If there were a greater demand for farm implements, there would be a larger amount of money in the pockets of purchasers, this would bring down the wage costs in the farm implement industry in relation to output?

Mr. BURT: Yes.

Mr. ARGUE: And this would make it a very happy situation as far as U.A.W. is concerned?

Mr. BURT: Very happy. We are faced with two things—technological changes taking place in this industry, as well as in every other industry, and the farm income, which I see is getting a little better, according to recent reports, but has been very poor. These things conspire against us in trying to get our people back to work.

Mr. ARGUE: Do you have any liaison or any cooperation of any kind with any farm organization? Do you discuss some of your mutual problems with any representatives of farm organizations?

Mr. BURT: We sure do. We have had, at our farm implement council meetings here in the last few months, representatives of the farmers' union, the Canadian federation of agriculture, and the Ontario federation of agriculture. Those organizations make their own submissions—I presume they have made them here. We have a knowledge of the manner in which they are making their approaches and they sat in while we were compiling our memorandum.

Mr. ARGUE: You at least have some common ground in dealing with the problems of the farm implement industry?

Mr. BURT: Yes, we are trying to get a meeting with the cabinet, by the way, to present another brief. It is a more detailed brief, on the agricultural implement industry. So far, we have not been able to get a meeting with the cabinet. They say it is not their practice to discuss these things while they are being discussed with a parliamentary committee, or Senate committee.

The CHAIRMAN: Why did you not present that additional brief to us this morning, then?

Mr. BURT: Because this is beyond your terms of reference, in our opinion.

Mr. ARGUE: And it has to do with more than farm implements? What else?

Mr. BURT: There are other things concerned in it, including farm income.

Mr. ARGUE: The Prime Minister will not hear you? That is a terrible situation.

The CHAIRMAN: Order.

Mr. ARGUE: This is scandalous. This is a free country. Surely they could see the cabinet.

Mr. BURT: We are dealing with things which are beyond your terms of reference. In dealing with problems about the farmers, we go into the things we have learned as a result of our association with the farmers organizations. We couple the two together because unless the farmers are getting a decent break, then the agricultural implement workers are not going to get as much work. We know that.

Mr. ARGUE: I would like—

Mr. HORNER (*Acadia*): I want to ask—

Mr. ARGUE: I have got the floor, Mr. Chairman.

Mr. HORNER (*Acadia*): I also had the floor.

Mr. ARGUE: I did not interrupt Mr. Horner.

Mr. HORNER (*Acadia*): I had a supplementary question to put, but if you have not finished, go right ahead.

Mr. ARGUE: I am wondering if the witness would care to say, in the event that the cabinet continues to refuse to hear this presentation, whether you would be prepared to make the presentation to the committee—either that one, or some other one which might be comparable—dealing with the farm income question as it might affect the farm implement industry and the people you represent. I think it is very important from the farming standpoint, and from the farm implement standpoint, that something be done about farm income, and that in itself will have some very considerable bearing on farm implement costs.

Mr. FORBES: I think the farmers are quite capable of presenting their own case, without asking the implement people to come in here to do it for them.

Mr. ARGUE: You have been talking about the farmer and labour fighting amongst themselves. I want to ask some further questions.

Mr. HORNER (*Acadia*): Let us hear the answers to the previous questions first.

The CHAIRMAN: Might I remind the committee and witnesses that only one person should speak at a time, in asking a question or giving an answer. Our reporters have difficulty enough in catching comments, as it is.

Mr. ARGUE: I understand the witness will answer my question. I have a supplementary question now. I would like to know whether or not he is prepared to give this committee, either now or at another sitting, the benefit of the work done by U.A.W. on the question of farm income, and the other matters that the U.A.W. is endeavouring to see through and about which it is finding it hard to see the Prime Minister.

Mr. BURT: If the cabinet does not see fit to give us an appointment, we want to air our brief, and I think the council that is present here would, of necessity, almost have to consider a presentation here, if your terms of refer-

ence extend that far. One of the reasons we have not mentioned these things in here is that we felt we were restricted to your terms of reference and we have confined ourselves, as you can see, to our analysis of the prices of agricultural implements in Canada. In this other brief, however, we go into the farmers side of it and, incidentally, the farmers' organizations have complimented us on our preparation of this document.

Mr. KORCHINSKI: You have given this for the benefit of the farmers' organizations before you presented it to the cabinet?

Mr. BURT: We have already sent copies to the Prime Minister, but this second brief has not been circulated very widely as yet.

Mr. ARGUE: I have another question. We have been told already this morning that at one time when U.A.W. was negotiating with the automobile companies for an increase—I do not want to misinterpret what you said, but this is as I understood it—the automobile companies were told by you: "If you reduce the price of automobiles by \$100, we will forgo any increase or take into consideration that reduction or just what the picture is." We have been already told, on another point this afternoon, that the United Steelworkers, at one point, had some negotiations and said to the steel companies: "We will forgo a wage increase at this time if you will forgo a price increase in steel." I am asking now whether or not the U.A.W., in dealing at any time with the farm implement companies, has made an offer of this type, or whether U.A.W. would be prepared to consider some kind of a general offer, that if the farm implement companies held the line or reduced the price of farm implements to the agricultural producers, that the people employed in this industry would give some consideration in their wage demands to this fact.

Mr. BURT: We have never made that proposal to the agricultural implement industry. We had a reason for it. At the time it was made, in the case of the automobile industry, before it was made by President Reuther in the United States, we were loth to make it, because we never figured that the rates of pay in this industry were high enough to justify making it, for one thing. The other part of your question is a delicate one and Mr. Kidd has already expressed himself on it. In the next few months we will be thinking about approaching the agricultural implement companies and some of them in the automobile companies, too; and I do not think it would be wise for us to divulge here to anybody publicly just exactly what we would bring up, as far as negotiations are concerned. Let me say that there are many problems which exist now in industry, as a result of technological changes and mass layoffs, that affect the situation drastically and particularly in some parts of industry in respect of technological change. We are giving that all the study we can at the present time, because, as one gentleman said here, in regard to several machines being replaced by one big machine, it is the same in the case of labour costs, sometimes one large machine is put in and you lose 20 men. While the machine will show up in the capital expenditure of the company, it does not show in the company's financial statement the loss of human effort, thrown on the streets, who are an expense on the government and on governments generally. Those things must be studied before we can even formulate our plans for a 1961 approach to companies in negotiations.

Mr. HORNER (*Acadia*): I have just a quick supplementary question on the organizing picture. As you are probably aware, we had before us three of the biggest implement manufacturers operating in Canada. Two of them suggested—I was not here for all the evidence given by the third—that the amount of money they are spending on research and development is increasing every year to where they are now spending between 3 per cent and 4 per cent of their total sales on research and development. When we asked why they were spending so much on this, one of the companies said—and

I can remember quite clearly—that labour organizations have got to such a point where it pays them well to spend a little extra money on trying to bring about technological changes in the factory in order to cut down on labour costs. My question is, have you at any time considered the fact that there may be more men employed, if wages had not gone up to 102 per cent since 1947—using your own figures?

Mr. BURT: Even if wages had been twice as high, I do not think it would have stopped the progress of technological change. I do not think I am naive enough to believe that. Companies make progress along the lines of progress that are made generally. We are all making it, I suppose. I do not think wages play a part. I do not think they are given consideration in respect to the company's plans and research and so on. I suggest, also, that some of this research with American subsidiaries is done in the United States. We have found that very little of it is done in Canada. We would like to see more of it done in Canada. We would like to see more of these large American corporations do more of that research work in Canada, to meet some of the needs of Canada.

Mr. HORNER (*Acadia*): I might follow this up with a little further questioning, sir. In regard to employment and the numbers employed, you said yourself, Mr. Burt, that some of the foreign countries have a wage advantage over Canada. I think this was said this morning by Dr. Forsey in answer to a question by Mr. Muir. We noticed that in figures presented to the committee, our imports of agricultural machinery are going up, and some of the countries are now starting to import quite large parts. For example, Massey-Ferguson said that they are importing some of their tractors directly, and some of the parts of the tractors already built as a unit, like the transmission or the motor, or something else, and they are coming in ready, lock, stock and barrel. Another company said they are starting a factory in Scotland, for example. Do you not think that the companies are considering wage costs in doing this, in having more of their manufacturing done outside Canada and the North American continent?

Mr. BURT: I think they have all this in mind. I am trying to be clairvoyant and read the minds of the companies I am occasionally in contact with when bargaining across the table. They also want to capture the market in the countries to which they go.

Mr. HORNER (*Acadia*): I agree.

Mr. BURT: In any case, the market has been considerable, as a result of the Marshall plan and the expenditures in Europe. As you know, the Europeans are catching up with us, starting to produce and they have a market at their back door which is tremendous. They are in a good position to compete with us. There is no doubt some of these companies find it more profitable. It is not always profitable for Canada to establish plants in Europe. There is one in Great Britain, in Scotland now which has been operating for some time, and there is no doubt that wage rates are lower and the cost of living generally is lower in those countries. However, I do not think it would be suggested, for example, that we lower our living standards to the low level of the Japanese in order to recover our radio tube industry, or things like that.

Mr. HORNER (*Acadia*): No, no.

Mr. BURT: The same thing applies.

Mr. SMALLWOOD: Before I start on this I want to say that I am not condemning either labour or the machine companies, but I speak as one who feels there is something drastically wrong. I am a farmer, and I know that we cannot stand for more increases in the price of machinery. We cannot buy at the price, so if labour is going to continue seeking higher wages, and if

industry is going to increase the price of the machinery, we will be going out of business. We will not be able to buy and that would mean more workers will be going out of your industry, because we cannot buy the machinery. There has been talk about the price of farm produce being too low. I know it is low, but if we raise the price of the farm product, up goes the cost of living, then you go on strike for more wages, then the companies increase your wages and up goes the price of machinery. You want more for your product, and up goes the cost of living, then you go on strike for more wages. Where is that going to end?

Mr. BURT: Let us get on the merry-go-round together and perhaps we could find a solution. It is not true to say that all we do is say: "We strike, we strike, we strike". If there is anything I do not like—and I know I speak for the council—it is a strike.

Mr. SMALLWOOD: I know.

Mr. BURT: It is a popular idea amongst the farmers, and a most erroneous one. Perhaps the farmers ought to go on strike—and let me tell you, if you do, we will support you in a strike, because we believe you should get a share of the economic wealth, as well as the workers.

Mr. SMALLWOOD: We are not going to do that.

Mr. BURT: I know you are not. We have proposed to our government on numerous occasions, and still propose it, that they form an industrial committee composed of farmers, trade union representatives, farm implement manufacturers and the government, that that constitute a permanent committee, and that then we sit down and analyse these things.

Mr. HORNER (*Acadia*): Is that not the same as a productivity council?

Mr. BURT: No, it is not the same as a productivity council, particularly when you have a selected productivity council and not a recommended one from the various groups. We do not believe in that kind of thing. We believe that if there is to be a representative of labour in it, the national labour organizations should be asked to send a representative. The Prime Minister should not pick the representatives.

Mr. SMALLWOOD: How are you going to give the farmer more for his product? I say that if you give him more, there will be increased wages. How are you going to give him more?

Mr. ARGUE: Fire the government. Change the government.

Mr. HORNER (*Acadia*): Where will the money come from, Mr. Argue? Will you start to print it?

Mr. SMALLWOOD: I have asked a question.

Mr. COBURN: Part of the solution may be found in the fact that during the period when the prices that the farmer was getting for his product were simply disastrous, the price of food continued to go up.

Mr. SMALLWOOD: You have not answered my question yet. How are you going to make it higher?

Mr. COBURN: It seems to me that the farmers would need to get together in some kind of organization in order to make their strength felt. This has been a problem for farmers for a long time.

Mr. SMALLWOOD: We are agreed on this.

Mr. COBURN: It would be presumptuous of us to come in and tell the farmers how to organize. They have to work out solutions to that problem.

Mr. SMALLWOOD: So the farmer is to get more for his product. How do you suggest he will get more?

Mr. COBURN: Organize, and use your economic strength.

Mr. SMALLWOOD: How is he going to get it?

Mr. COBURN: You may have to get a government that will give you some legislation to enable you to get it.

Mr. SMALLWOOD: I want to see these things put together.

The CHAIRMAN: We had better get back to this question of investigation of the price of farm implements, and away from politics.

Mr. BURT: I cannot answer the questions unless there is a little bit of order.

Mr. KIDD: We were asked a question as to how you would get it. I do not know if you have read the report of the royal commission on the prices of agricultural products, or perhaps you would not ask this question. It was found by that committee, after a couple of years of investigation, that the farmers in fact had no more bargaining power. They had all fallen back into the hands of the processors and retailers. They had no chance to bargain against those powerful economic interests, and until such time as they right that balance I do not think they are going to get anything more for their products.

Mr. SMALLWOOD: I have a supplementary question. There is a piece here from the *Hamilton Spectator*, which says:

A three-year contract providing increases in wages and fringe benefits for 2,150 workers has been settled by Local 2868, United Steelworkers of America, and International Harvester Company of Canada Limited.

Union staff representative Stewart Cooke said the pact was worth 25.1 cents an hour over the period starting from April 23.

Is that right?

Mr. BELLINGHAM: In which year?

Mr. SMALLWOOD: It was 25 cents in one year.

Mr. BELLINGHAM: We dserved it, also.

That was the last contract that was signed last year.

Mr. SMALLWOOD: Mr. Argue asked you if you ever considered holding the line of wages if the company would hold the line of machinery prices, and he said he thought it called for investigation.

In your local bulletin, "Local 2868" dated April 28, 1961, under the heading "wage increase", you say:

By this time next year we will have a new agreement, or be in the midst of bargaining for one.

Prices have held, but you are bargaining for more.

Mr. BELLINGHAM: It does not say that there, does it?

Mr. SMALLWOOD: No.

Mr. BELLINGHAM: I know. I wrote it and I know what it says. It does not say "wage increases". It does not say that we are bargaining for wage increases next year. It does not say we will not, but it does not say that we are.

Mr. SMALLWOOD: It is under the heading here of "wage increase".

Mr. MANDZIUK: Does it mean you are bargaining for a reduction in wages?

Mr. BELLINGHAM: This is spread over two years.

I am an economic research man and I work in a research plant, and these 20 people sitting at the back of the hall are working there too. A question was asked this morning and I would like to answer it. I have been with the Harvester Company for 19 years and in those 19 years there were technological improvements in the plant and there was a speed-up and a work load increase

in the plant, but that did not mean any increase to the workers in Harvester, since 1947—and do not let anyone tell you it did. We see that every day the company is producing with less people all the time, and yet producing more. I do not care which company tells you a different story from that, it is not true.

There is another point I wish to clear up. It was a statement by a representative of the company I work with, that real estate and business tax had gone up 280 per cent. It was mentioned this morning. I wonder if that company official told you that, in that period of time, they had put \$15 million into new buildings in Hamilton and that would naturally increase their real estate and business tax. Surely, they did not expect to put up buildings without having the taxes go up?

Mr. SMALLWOOD: Did you say there was a productivity increase?

Mr. BELLINGHAM: Yes.

Mr. SMALLWOOD: What yardstick did you use?

Mr. BELLINGHAM: Our own eyes.

Mr. SMALLWOOD: One company submitted figures showing the product shipped from the factory per ton, hourly and piecework employed, that it did not increase from 1954 to 1960. This company admitted that some defects could be pointed out in this method of measuring productivity, some that would indicate a little increase, while others would indicate a decrease.

However, the figures were there, so I was wondering what yardstick you used.

Mr. KIDD: It is curious that International-Harvester can talk in terms of falling productivity. I read a press release, but did not read *Hansard* on it. In view of the experiences we observed as Mr. Bellingham says, we know this company has expanded greatly in the past little while. It would scarcely seem to us reasonable to expect the company to expand greatly if labour costs and other costs were high. One would have thought they would have disappeared completely from Hamilton and have run away to some other part of the country or to some other country. The fact of the matter is that this plant in Canada has to bid for the products it makes, against other parts of the International-Harvester Company across North America. It has to be able to produce these tractors and grain drills and items like this at a better cost than the other parts of the Harvester operations over the world. If they can bid successfully in Canada, and if—as in fact they are doing—they can produce tractors and windrowers here, it means their costs of production are lower here in Canada than elsewhere, and it means their productivity has been increasing in the past few years. It seems to us that there must be statements that this company wants to make—one for public consumption and one we get in our negotiations—which are quite different. They tell us these things in negotiations. We can only assume that the efficiency of this plant of International Harvester is amongst the highest in the industry in North America. Therefore, the productivity is good and, therefore, the labour cost is low.

Mr. SMALLWOOD: Do you feel that you have worked efficiently, that you have put out a good product in your day's work? Do you feel that your work is as efficient in the shop as it was?

Mr. KIDD: I would say that the efficiency of this plant has increased many fold in the past ten years.

Mr. SMALLWOOD: We get some machines which are very crudely made.

Mr. BELLINGHAM: We make them, but they design them.

Mr. SMALLWOOD: There was a blockman being taken through a factory by an official and this particular man was making the crankshaft for a machine. When the worker was putting it on the jigger, this blockman noticed that the

alignment was out. He got off the jigger and said to the official of the company: "Have that put on again, because that is out of alignment". He said: "Put that back on the jigger." Then the guy turned to the official and said: "You go to hell." When they had passed on, the blockman asked the official: "Why did you let him talk to you like that?" He said: "That is the way they have got us down here; if I said anything to him—" That piece of machinery went through and some farmer bought it.

Mr. KIDD: He would be fired immediately—instantaneously.

Mr. SMALLWOOD: I have heard things like that.

Mr. FORBES: On the same subject of costs, the International Harvester people presented us with the cost of manufacture of a field cultivator in the company, and the material, the machine tools, and so on, were 46.20 in 1955 and 46.91 in 1960. The total labour costs for manufacturing that cultivator were 43.4 in 1955 and 44.38 in 1960. If it cost 44 per cent for labour for manufacturing the cultivator, that is a sizable item in the cost of manufacturing that product. Do you agree with those figures?

Mr. BURT: No.

Mr. KIDD: I do not believe it. I would like to see it clarified.

Mr. BELLINGHAM: This is the actual labour cost you are giving?

Mr. FORBES: It is the total labour cost.

Mr. BURT: Does that include salaries, executives' salaries?

Mr. FORBES: It includes factory wages, plant and everything, fringe benefits and shipping costs, 43 per cent. That is all labour and the labour for the materials is not taken into consideration. If it were, it would amount to more. Machine companies indicate to us that a lot of the machines are put together on piece work.

Mr. BURT: Yes, that is their system.

Mr. FORBES: Who arrives at the cost of piece work? Is that negotiated by the unions?

Mr. BURT: The company devised the method by which the standards set are their standards, and then they negotiate on prices.

Mr. FORBES: That is between the unions?

Mr. BURT: Between the unions and the company, but they have the right and often exercise it, during the contract term—and this is one of our complaints—they often change part of the method, and so on, and if they institute a change it makes a guy go faster for the same money. This is quite a common problem which we have now.

Mr. FORBES: We are trying to arrive at the cost of manufacturing machinery. You fellows admit you do a certain amount on piece work?

Mr. BURT: Right.

Mr. FORBES: Suppose you were putting together a pick-up for a combine, would you know what price you got for that in 1947, and again in 1960?

Mr. BURT: It might be entirely different equipment. There might be an entirely different method of making that implement. I can tell you this, that some of the time studies on which prices are based in a company like, say, Massey-Harris, were in effect for years and years; there has been the same study, but in the last few years the company on its own initiative has changed a lot of these time studies.

Mr. FORBES: But the pick-up is identically the same thing as it was ten years ago.

Mr. BURT: It may not be made in the same way.

Mr. BELLINGHAM: It may not be made the same at all.

Mr. KORCHINSKI: Earlier, I think the witness indicated that the cost of living did not go up quite as readily as the average hourly rate. Is that right?

Mr. BURT: That is true.

Mr. KORCHINSKI: You also indicated that you had some brief to present to the government and you hoped that perhaps the farmers' returns could be greater so that you could sell more and the whole cycle would be improved, that is to say, if there were more jobs, there would be more sales, and so on. Do you really believe that would happen?

Mr. BURT: I do not see why it should not.

Mr. KORCHINSKI: You also said in your brief, on page 11, that the upward pressure on prices came primarily from a pressing demand. There was a demand that would naturally follow, would you say, if the farmer had more, and so on? You also stated:

The producers charge more because they could get more... and the farmers could pay more because of their higher cash incomes.

In other words, you are saying that if the farmer got more, whether it is the manager or the manufacturer who notices this, he then asks more, and then you can demand more. You can readily see, as I said, the cost of living did not go up. However, your wages did increase. On page 48 of the Saskatchewan wheat pool brief, volume I, it says:

A 7-quarter farmer in District 14 said: "It seems superfluous for me to say that machine prices are absolutely out of line with prices received for farm goods. For instance, in 1947 I paid the equivalent of 1800 bushels of No. 2 wheat for a 12-foot combine. In 1952 I paid the equivalent of 3800 bushels of No. 2 wheat for a 12-foot combine, and in 1960 the same 12-foot combine would have cost me 6400 bushels of No. 2 wheat.

If that farmer has had a declining return from his production, you have not indicated a solution, nor has management, if that is what you want to blame. Apparently you do not want to take any of the blame—but I notice you make reference that you should have an average return for hourly earnings, of an hourly wage earning of industry, \$2.02 in 1959. I notice that in 1946 you have 81 cents per hour. Now you compared that with durable goods earlier this morning. For 1959 it was \$1.87, and for 1946 it was 77 cents. In other words, in 1946 there was a difference of 4 cents per hour. By 1959 you have reached a point where there was a 15 cents difference between the durable goods. How can you indicate that by increasing the farmers' return there could be any salvation for him at all if these are going to gather there like hawks ready to pick up that little bit of improvement.

Mr. BURT: We did not give you these figures which you are quoting.

Mr. KORCHINSKI: These are figures from the bureau of statistics. You must have got your figures from there. I am giving those figures.

Mr. BURT: We are not down here to defend ourselves against anything. We are down here with the facts, and we say—in spite of the fact that wages have gone up, there is no doubt about that—we do not think our agricultural implement workers are making enough yet. They are not enjoying a really good standard of living, and they cannot afford to buy, any more than the farmers can, the things they need in their homes. If the Canadian farmers and workers were able to buy the things they need now and should have, we would have most of industry at work. But they cannot do it.

Mr. KORCHINSKI: Also, in your brief, on page 11, you speak of a 43 per cent drop in the volume of production and you say:

It is quite remarkable that unit wage costs did not rise much more than 22.6 per cent.

The fact that the production went down did not indicate at all that you were prepared to take a reduction. In other words, the farmers' income had gone down by then. The price charged had to go up per unit, but you still asked for an increase. Also, with reference to what Mr. Smallwood indicated here earlier, in a reference to a number of tons, on page 551; this is with reference to the International-Harvester presentation chart, which stated that in 1954 23 tons per year per hourly paid worker was the amount put out. In 1955 it was 27.6, in 1956 it was 27.4, in 1957 it was 24.8, in 1958 it was 26, in 1959 it was 23 and in 1960 it was 23.4. These are their figures and the witness said he merely did not agree, but these are their figures and he would have to take their word for it. You have not anything to comment on that?

Mr. COBURN: I would suggest that these figures are meaningless, because I do not know how they were made up. These implements are very complicated and the employment on them is increasingly so. I do not see how you can measure productivity in terms of tons per worker.

Mr. KORCHINSKI: You said the volume of production had gone down in 1952 to 1958. You yourself stated that in your brief.

Mr. BURT: Where are you quoting from?

Mr. KORCHINSKI: From page 11 of your brief.

Mr. COBURN: Yes, production went down.

Mr. BURT: If efficiency went down, the tonnage per member would go down.

Mr. KORCHINSKI: So the over-all cost went up.

Mr. COBURN: Employment went down.

Mr. KORCHINSKI: Your labour cost did not go down; you were prepared to take it, like the farmer was. What good is it to the farmer if your wage increases, if you do something?

Mr. BURT: Our product per man went up and it did not cost the company any more to give us the increase we got.

Mr. KORCHINSKI: It did. Who is the customer?

Mr. PETERS: I have a supplementary question to ask. Is it not true that what you are suggesting in these sentences to which Mr. Korchinski referred, is that the producer charged more because he could get more and the farmer could pay more because of his higher cash income. Your contention is, is it not, that the price of farm machinery would go up with the price the farmer would receive for his product. In other words, if his condition is better, it would mean more production, because the farmer could buy a more expensive machine, could buy more in quantity of machines, and this would in turn lower the cost per unit as far as the machines are concerned, and would allow the worker an increase in wages, and this would not necessarily mean a cost increase, but on the contrary, it would lower the price and at the same time the workers would get more money, provided the farmers were able to buy more machinery.

Mr. BURT: I think that is a fair statement.

Mr. KORCHINSKI: I do not need more machines on my farm. I have got enough already.

Mr. BELINGHAM: I can answer this, as a person who works for his living in a shop. I am not naive enough to believe, and I know companies well enough

to say, that if I produce more and even went along with a wage reduction, that it would do your people on the farms any little good; because I am convinced that if there was any reduction in the cost price of farm implements, even through a reduction in wage costs, it would not be passed to the farmers. If you think it would, keep on thinking so, but it would not.

Mr. KORCHINSKI: I would like to hope so, but you have already indicated that you will have to acquire more.

Mr. MANDZIUK: I have been waiting impatiently to get my nickel in. I have searched through the brief to find where I could find a part on which I could compliment you gentlemen on the work you have done, and I find that there is a sentence on the first page, the last sentence there, which I really like. It says:

It is also a matter of great concern to farm implement workers, since needlessly high prices cut down the demand for our products, and this means less work and wages for us.

My question is based on this. How do you reconcile that with the principles expressed in your labour publications? The same thoughts were expressed in your presentation to the government last February, I believe, for shorter hours and higher wages, regardless of what happens.

Mr. BURT: You are basing all the increase in costs and high prices—as so many people tend to do today—on the cost of labour. We have tried to point out in this brief that labour cost represents only a relatively small proportion of the total over-all cost, and that productivity in its relationship to wages is a real key to this problem. You seem to disregard that completely. Let me tell you that if the technological changes keep the pace at which they have been going in recent years, in another ten years we will probably be demanding less hours of work and more money.

Mr. MANDZIUK: That would be a novelty.

Mr. BURT: We would be justified in doing so. Do not forget that there is a break on labour at the bargaining table. We happen to be bargaining with the most powerful financial interests in this country and in the United States, too. You seem to be of the opinion that every time we ask for ten cents an hour from the boss, he says: “Yes” right away, because he is defenceless in the face of such powerful labour organizations. That is just nonsensical. In the first place we represent only one-fifth of the total labour force in Canada. We have the agricultural instrument industries pretty well organized throughout the country, it is true; but on the over-all picture we only represent a small proportion of the labour force. The biggest rise in the government index is shown over the last few years in the food index. The food industry is not organized in the big service industries. With the farmers prices going down, tell us how it happens that the food to the agricultural implement worker has gone up, at a time when the income of the farmers is going down?

Mr. MANDZIUK: I can tell you why.

Mr. BURT: Very well?

Mr. MANDZIUK: I can answer that. At the time the prime product of the harvest leaves the farmers’ hands, it goes into the hands of the processor, and labour is in it. That is how it works.

Mr. COBURN: May I read you what the royal commission on food prices said about that?

Mr. MANDZIUK: I have read it.

Mr. COBURN: It said:

The falling prices of food industries paid for farm materials and the higher prices they obtained from consumers confronted the industries with circumstances conducive to profitable operation and expansion.

Mr. MUIR (*Lisgar*): You must understand, sir, that the consumer today will not take a paper bag with a dozen eggs to carry it home. He has to have those eggs wrapped in a special carton. This goes right down the line.

Mr. COBURN: I know this is the case and the royal commission took that into account, that the food processing industry had increased the price of the products primarily by paying the farmer less and charging the consumer more.

Mr. MANDZIUK: I agree you gentlemen have a problem, but the farmer has a problem, also. Have you read the brief presented for the farm workers organization and the brief presented by the retail association?

Mr. COBURN: No.

Mr. MANDZIUK: If you did not, you should have, because those briefs give us the impression that the price squeeze is on both of these, on the farmer and on the retailer of farm implements, and it comes from labour and industry.

Mr. COBURN: This impression has been very widely spread by some of the highest paid propagandists in this country.

Mr. MANDZIUK: Those are facts, and our duty is to find out what causes this price squeeze. You are a factor. Will you not admit that even your brief is one-sided and biased? I put that same question up to the International Harvester company. Every brief presented here is coloured. All you are interested in is your own problem, and, I suggest, "to the devil with the rest".

Mr. COBURN: I would not say that is a fair comment. Certainly we have presented our point of view.

Mr. MANDZIUK: There is no mention of the farmers in this brief.

Dr. FORSEY: You quoted it yourself, from the first page.

Mr. MANDZIUK: Yes, but you do not follow that principle.

The VICE-CHAIRMAN (*Mr. Smallwood*): Are you through, Mr. Mandziuk?

Mr. MANDZIUK: No. My question is this: do you admit your brief is coloured and one-sided?

Mr. BURT: If we say it is coloured, then so is the D.B.S., because we have relied on their figures. As a matter of fact, one of the members of this committee said he accepted the figures of D.B.S. We have got all our figures from the D.B.S.

Mr. BOULANGER (*Interpretation*): In the preparation of your brief, did you take into account the net revenue of the farmer in constant dollars, and the net revenue of the worker in constant dollars, on a 1949 basis?

Mr. COBURN: In the brief we still hope to present to the cabinet, we have made some analysis along those lines. We did not do it in the brief presented to your committee today because we were under the impression that the committee's terms of reference did not extend to the whole problem of farm income.

Mr. BOULANGER (*Interpretation*): I have figures here, D.B.S. figures, which are based on constant dollars. In 1947, for instance, in constant dollars, the farmer's income was \$1,019; in 1952 it was \$1,651, and in 1960 it was off again to \$1,175. So far as a worker's income is concerned, from 1947 to 1960 there has been an increase from \$2,004 to \$2,571, and both these are constant dollar figures. Do you not feel that this factor—that there has been a drop in the farmer's income—is attributable to the fact that the farmer is not organized, while the worker is very powerfully organized?

Mr. BURT: I believe that is primarily true.

Mr. BOULANGER (*Interpretation*): I note that there has been an increase from 1947 to 1960, so far as the worker is concerned, of approximately \$500, and a similar decrease of about \$500 in the corresponding period for a farmer's

income, so I do feel the crux of the problem is that so far as the prices of agricultural machinery are concerned, it is that the income of the farmers has gone down, rather than anything else.

Mr. COBURN: As a matter of fact, in the larger brief we prepared we suggest the problem of falling farm income was really much more responsible for the farmers' problem than increasing prices, although we recognize the fact that prices have increased. It seems to us that the major problem of the farmer is the fact that his income has been falling, while the incomes of the rest of the population have been going up.

Mr. MANDZIUK: Conversely, if industry and labour held the line, to which request labour has strenuously objected, do you not think that would have alleviated the farmers' plight?

Mr. COBURN: No, I do not know. The increase in constant dollars, from \$2,000 in 1947 to \$2,571 in 1960, a little over 25 per cent, is certainly no more, and I would rather suspect somewhat less, than the increase in productivity per worker in the economy, and what would have happened if the worker's wages had simply remained at the same level in buying power in 1960 as they were in 1947? Industry's sales would also be at the same level in 1960 as they were in 1947, and this country would be in the middle of the worst recession you have ever seen.

Mr. MANDZIUK: Mind you, I am not absolving industry from any blame. To give the farmer a reduction of 20 per cent, 15 per cent or 5 per cent in the price of farm machinery would make him a little happier than he is today. Our duty is to find out why he is paying so much for his farm equipment, and that is the way our report will read. This is just a statement, not a question, and I hope you gentlemen do not think we are trying to cross-examine you. We are going to have a wonderful time sifting all the material we have received and then making our report or recommendation. That is our difficulty, and I hope you realize our questioning is not to be taken as in any way antagonistic toward labour.

Labour, unlike the farmer, is organized. The farmer cannot strike. He cannot hold his wheat, his eggs or his butter indefinitely. He cannot stop milking his cows. The farmer is not in the same category as you are, because you have that last weapon. You can strike and you can keep the unemployed from entering a certain factory where they would be only too happy to fill your shoes. You can declare a strike, and you can compel management to give you your wages. I only wish the farmer was in that situation. I think he would be happy, but he cannot do that now.

The VICE-CHAIRMAN (*Mr. Smallwood*): Order.

Mr. MUIR (*Lisgar*): Do you feel that Canadian farm implement costs are definitely a grievous point?

Mr. BURT: You mean the company costs?

Mr. MUIR (*Lisgar*): Yes.

Mr. BURT: You mean the selling price?

Mr. MUIR (*Lisgar*): I should say the prices.

Mr. BURT: We think the companies could certainly make a reduction, according to these figures.

Mr. MUIR (*Lisgar*): You make the statement with the knowledge that the machine companies compete with the Americans on a continental basis, in spite of high transportation costs and low plant efficiency, and in referring to plant efficiency I am not putting all the responsibility on labour. If the Canadian manufacturers' prices are unduly high, surely the American

manufacturers' prices must be out of reason altogether, because the Canadian companies are competing on a tariff free basis with them. Do you have any comment to make on that, sir?

Mr. BURT: What you are saying is that we say that Canadian companies compete on an even-*stephen* basis with the United States companies, and, as their rates of pay are much higher than ours, their prices must be higher. Is that what you are saying?

Mr. MUIR (*Lisgar*): I would say their efficiency is that much higher and their transportation costs are much lower, particularly in the middle west, and yet our companies are still competing with them in the west.

Mr. COBURN: My impression is that you are hanging your argument on the same point you were discussing earlier, on your claim that the efficiency of the Canadian plants in the agricultural implement industry is lower than it is in the United States plants. I doubt very much if there is any evidence to support that. It may be true of secondary industries as a group in Canada but, as Dr. Forsey pointed out earlier, most secondary industries in Canada are only able to produce for the limited Canadian market, while the agricultural implement industry is able to produce for the whole North American market. Had the other industries the same market open to them as the Americans, I see no reason to believe their productivity efficiency would be any lower than in American plants. The Americans certainly have the advantage of the wage differential, and I do not think there is the same productivity comparison.

Mr. MUIR (*Lisgar*): We have had evidence submitted by the machine companies in which they told us that their plant efficiency is not as high in Canada.

Mr. COBURN: Could you give us facts and figures?

Mr. MUIR (*Lisgar*): They gave us an illustration of the type of equipment they had in their plants, for making castings and bearings, and so on. That plant, they told us, is much more efficient in the United States than it is in Canada. They admitted to us that our plants are not as efficient as the American plants.

Mr. COBURN: As Mr. Bellingham has just mentioned to me—and he works in the plants—in the case of some products that may be true, but in the case of other products our plants may be more efficient.

Mr. SLOGAN: Is it not true the main reason we have the market in the United States is not so much efficiency but the wage differential? Massey-Ferguson submitted figures to us showing that the wages in the United States are 27 per cent higher than they are in subsidiaries in Canada, and once that differential is wiped out we shall lose that American market.

Mr. COBURN: I do not know how much difference that wage differential makes.

Mr. SLOGAN: It makes 27 per cent of a difference.

Mr. COBURN: Massey-Ferguson is a good illustration. They built themselves a large plant in Detroit when they had only to move across the river and build that plant in Windsor, where they would have enjoyed the wage differential. There is no reason in the world why they could not have just as efficient a plant in Windsor as in Detroit, because the difference in transportation distance is only about two miles. However, they made their decision to locate their plant in Detroit, and the only conclusion I can come to is that there were other factors which they found much more compelling than the wage differential.

Mr. MUIR (*Lisgar*): Of course they made the same decision when they built their combines plant in Toronto.

Mr. BURT: However, in the case of combines Massey developed a rather unique piece of farm equipment many years ago, and they captured the market

for it in the United States and Canada. As a result they had an advantage, an initial advantage, which was not enjoyed by the other companies.

Mr. BOULANGER (*Interpretation*): I have another question on a different line. I should like to ask the witness if, in order to increase productivity, there has ever been any study made of the possibility of some profit-sharing arrangement with management?

Mr. BURT: No.

Mr. BOULANGER (*Interpretation*): The reason I am putting the question is because I am a manufacturer myself, and in my own plant I have put a profit-sharing arrangement into effect, which has enabled me to increase productivity by approximately 100 per cent, thus enabling me to compete better. I feel it is a good principle that could be applied to industry generally.

Mr. BURT: Our union, the U.A.W., made a proposal in negotiations two years ago that a study be made of the possibility of such a plan, but it was rejected by the employers in the automobile industry, and we did not find any employer who was even sympathetic towards making a study of it, or even considering it. May I add that, when we talk about the profit position of a company across the table, the company usually claims we are treading on rather sacred ground and that it is really none of our business.

Mr. BOULANGER (*Interpretation*): In the United States there are 30,000 industries which have a profit-sharing plan. They find a good advantage in it, and there are also several industries doing the same in Canada.

Mr. BURT: That is right.

Mr. VILLENEUVE: I believe we were told by one of the manufacturing company heads the other day that wages since 1947 had increased by 99.3 per cent, but productivity had only increased from 23.3 per cent to 23.4 per cent. Do you agree with that?

Mr. COBURN: We have not been able to get accurate figures from the employers on their productivity increases, and we would very much like to have figures we could rely on. Unfortunately we find ourselves in the position where we cannot simply accept statements that manufacturers give unless they will back them up with data from which they were derived; and as soon as you ask them, they clam up.

Mr. VILLENEUVE: I think the statement made was a factual statement, and from the arguments I heard here I would judge you people do not agree with that, but I want to hear your answer: do you agree with that as being factual or not?

Mr. BURT: We would say no, because we have no way of proving or disproving this.

Mr. VILLENEUVE: So you say it is not factual?

Mr. BURT: We give you figures that come from unions but I do not think the committee could be expected to accept them unless we could back them up with some kind of information we have not got now. So we would give you a qualified no on that one.

Mr. VILLENEUVE: It is pretty hard for us to arrive at a decision if we get that from one source and a contradiction from another. Certainly it will have a bearing on the cost of machinery.

Mr. BURT: If the employer in question who gave you those figures is prepared to submit to us a copy of the data that went into arriving at those figures and give us a chance to study it, we might give you an answer. If they are right, they are right—the facts are clear.

Mr. BELLINGHAM: Is this for one particular plant or the whole industry?

Mr. VILLENEUVE: The agricultural industry. Productivity had increased 23.3 to 23.4 per cent.

Mr. BELLINGHAM: For how many years?

Mr. VILLENEUVE: 1947 to 1960.

Mr. BELLINGHAM: Twenty witnesses sitting at the back of the room will dispute this.

Dr. FORSEY: 23.3 to 23.4 of what?

Mr. VILLENEUVE: Per cent.

Dr. FORSEY: I do not understand that. It is absolutely incomprehensible.

Mr. VILLENEUVE: Those are the figures, that productivity had gone up that much.

Dr. FORSEY: From where?

Mr. VILLENEUVE: Since 1949.

Dr. FORSEY: I do not understand this at all. I do not know whether my colleagues understand it. You might as well say that it went up from potatoes to oranges, as far as I can see.

Mr. VILLENEUVE: I presume he was trying to convey to the committee that they were not getting the work performed as efficiently as they should in comparison to the wage increases. That is the interpretation I took from it. I am not saying it is right.

Dr. FORSEY: How is he measuring it?

Mr. MUIR (*Lisgar*): In tons.

Dr. FORSEY: That is the figure we got before. As Mr. Coburn pointed out, that is rubbish.

Mr. BURT: They have changed cast iron to malleable iron.

Mr. BELLINGHAM: And aluminum.

Mr. BURT: Surely nobody will believe that.

Mr. HORNER (*Acadia*): Mr. Chairman, thank you for coming back to me. I would like to point out that there have been quite a few references made to the consumer price index. It has never decreased. I am reading from the 1960 Canada year book—and I think it should be placed on record because of the number of references we made to it—that agricultural prices—and I do not think too many people will deny this—reached a high in 1951 when we have had this evidence in the committee already. In fact the index at that time reached a high in mid-1951—it was either 196 or 296—and agricultural prices fell from there to practically a low in 1957. Then the trend was stopped, and has gone up somewhat since then.

Looking at the food index—and this is based on 49 equalling 100—I would like to read these figures. In 1950, 102.6; 1951, 117 even—I am reading from page 985 of the Canada year book—in 1951 it dropped in comparison to agricultural prices; in 1955 it was 112, and in 1956, 113. Then in 1957, 1958, and 1959 the consumer price index of food rose again to a high of 122; it went down in 1959. For 1960 it was up ranging somewhere around 120. This points to the fact that the consumer price index to some extent does follow the agricultural prices. I just wanted to put that on the record so that those persons who thought it did not, will notice this.

Mr. COBURN: May I answer that?

Mr. HORNER (*Acadia*): I just presented those figures.

Mr. COBURN: I wanted to point out that between January 1951 and August 1956 the index of farm prices of agricultural products which for that

period 1935 to 1939 is one hundred fell from 234.6 to 200.5. In the same period food components fell from 19 to 15.9. We are moving in opposite directions.

Mr. HORNER (*Acadia*): What index are you reading from?

Mr. COBURN: The D.B.S. index. The index of farm prices of agricultural products from 1934 to 1939 equals 100. That does not affect the question of whether it rose or fell.

Mr. HORNER (*Acadia*): That is precisely what I said—it fell in 1951 from 296 to the relatively low figure in 1957 of 234.

Mr. COBURN: In that period food prices were rising.

Mr. HORNER (*Acadia*): The annual consumer price from the index of the Canada year book—the food index, and I am not saying the consumer index, I am talking about the food index—the food index in 1951 was 117 based on 1949 equals 100. In 1955 it reached a low of 112; in 1956 it went to 113—not too high an increase. It came up again a little faster than the farm agricultural prices, but it still varied to some extent with them. You will agree at least with the figures I presented, and I do not know where our figures differ.

I would like to ask you a question. On page 6, you determine that if any cost increase can be attributed to labour, it would be 16.7 cents out of 87.4. Am I right? This figures out to 19 per cent of the total increase in those years. 11.8 per cent out of 84 is attributed to increase in salaries. This figures to 12½ per cent. Roughly speaking, those two components together make up—I know you do not want to take them together, but we farmers look at them together—above 31½ per cent of the increase in machinery costs. This is reading from your own statistics.

Mr. COBURN: I agree with the facts, but I would like to emphasize again that you are perfectly at liberty to take wages and salaries together and say that this makes it up, but then do not say that it is all the fault of those trade unions, which is the chorus we hear.

Mr. HORNER (*Acadia*): I am not trying to run down labour unions; all I am doing is reading your own figures.

Mr. COBURN: Salary figures include everyone, up to the president of the company.

Mr. HORNER (*Acadia*): I am on record in the House of Commons as speaking about some salaries to some presidents and what should be done to them. I want to point out that this is what can be contributed to that part of increase in wages and salaries.

Mr. BURT: You are dealing now with price increase; you forget that there is also the increase in productivity, so that you get a unit cost.

Mr. HORNER (*Acadia*): I understand some members of the machine companies who were before us said that their salaried people have unions to represent them. Does the C.L.C. represent any salaried persons?

Mr. BURT: Some; not in this industry. I will qualify that. I think there is a small proportion represented here in our council by office workers, but they exclude supervisors and executive management, of course; it is simply salaried workers in the office. I believe in Hamilton, International Harvester also have office workers included.

Mr. HORNER (*Acadia*): So salaries are represented to some extent, but a very small proportion? In any case, I think you will agree that wages make up for about 19 per cent in the increase and salaries 12½ per cent, but you have no idea as to what part of the material increases can be attributed to labour?

Dr. FORSEY: It is an insoluble problem.

Mr. HORNER (*Acadia*): Yes, but still we have to make some assumption—but perhaps we will leave this to the committee. I just want to know whether you agreed with your own figures, and apparently you do.

I have another question, but I will pass it for the present.

The CHAIRMAN: Gentlemen, is it your pleasure to meet again tonight? These men would like to know. Should we finish by 6 o'clock?

Mr. HORNER (*Acadia*): I have about five more questions.

Mr. KORCHINSKI: I have a few and then we can stop.

Mr. BELLINGHAM: Some of the gentlemen will have to know at least an hour ahead because they have planes to catch.

The CHAIRMAN: What is the agreement of the committee?

An hon. MEMBER: We should finish by 6 o'clock.

The CHAIRMAN: We will try to finish by 6 o'clock.

Mr. SLOGAN: Mr. Chairman, in this discussion I think we have all got a lot off our chests, and it has been very useful, but I think it is fair to say that we have not treated you any better or any worse than people who have presented briefs from other segments of the industry. What I have noticed is that in each submission there is always an attempt to show that the witness is not the culprit; there is always someone else to blame. I think what we are here for is for the common good. We are all trying to do what we can to see if we can alleviate this cost-price squeeze experience in agriculture. We, in the government—and there is always the implication that the government can solve all the problems in each case—have done a great deal for agriculture, and there is no doubt that there is more we can do. We are prepared to do that. Unless we can work cooperatively, I think some day we are going to wake up and find there is no market for the farmer and there is also no market for labour. We all have to pool together and pull up our socks.

One thing which is probably not in the brief but on which I would like to comment is, what do you feel labour can do to alleviate this cost-price squeeze on the farmer? Just one example is the fact that production has been declining, imports are increasing, exports are decreasing. I think this is a very serious problem and it should be very serious for labour unions in particular. Have you any liaison with the manufacturing industry whereby you are trying to do anything you can in the way of encouraging industry to capture larger segments of the export market? Have you approached industry or has industry approached you in that respect? Are you trying to cooperate? It seems to me I have detected the attitude that we have more, we want or we need more and we will get more. Have you actively got together and are you trying to work for the common good in this regard? We all recognize the threat we are facing in world markets in every field, and this will be one of them. Are you looking far enough ahead and trying to do something about it?

Mr. BURT: I can subscribe to what you say in respect to the world market. We are very anxious to do what we can to see that Canada does capture world markets if at all possible. But again I have to reiterate that we propose through management and government to establish a liaison committee so we can sit down and solve these problems. We did have two or three meetings a number of years ago. Management representatives have made it plain that they were here for that meeting only, and any proposal of a permanent committee would be rejected. The government called us together. Present at the meeting were representatives of the farm organizations, the president of the Canadian federation of agriculture and the secretary of the Ontario federation—I believe I remember correctly—and also representatives from our council, many of whom are sitting here today. The government had the deputy minister of Agriculture and I think the minister of Labour at that time. It was not under the

present government. We constantly proposed from the congress that these things be done, and we are prepared to propose it now. That is the first step in trying to meet the kind of problems that you raised.

Mr. SLOGAN: Have any of your union leaders in the farm implement industry approached farm organizations and manufacturers to try to get together? We have heard a lot of talk about there being more room for standardization, for limitation of models, and various things such as that. It seems to me that these are areas where you could discuss this without the government. I do not think the government should try to force you people together. There should be a cooperative attitude on the part of various segments of the industry primarily affected. I am wondering whether such overtures have been made. As you go away from this committee and you see some of the problems we are facing perhaps more clearly, are those leaders in the farm implement industry prepared to go out and initiate these talks? Do not always leave it up to the next guy; take some initiative yourself.

Mr. BURT: We have taken initiative not once but on a number of occasions both to the government and the employer. As far as farm organizations are concerned, as I previously stated here, we had them present with us, representatives from all of them, and they sat in during the time we were busy with these briefs. One of the reasons they are not represented here is that they have decided to present their own brief rather than be associated with this brief, but they did sit in and they made some really good recommendations. We are prepared to renew that and take the initiative in this direction, but we do not get support from the management representatives.

The other thing of course is that government could act as an instrument for getting us together, even if they wanted to decide that maybe after the thing was going we could work on our own. It seems to us that we still need some help from the Department of Agriculture because they have the figure available and they have the information that could be very useful in that kind of committee.

Mr. SLOGAN: When this committee closes down and you are going to have the benefit in the minutes of pretty well all points of view, would the unions be prepared to invite farm organizations and representatives of management to sit down together and sift over some of the recommendations and try to do more than that, try to implement them in the industry in which we are primarily investing?

Mr. BURT: We would be prepared.

Mr. FORBES: Could I ask a supplementary question? Do you invite the farm organization to sit in with you and discuss the subject, asking for increases in rates of wages?

Mr. BURT: No.

Mr. FORBES: You have never done that? You are asking them now, when you want to prepare the brief?

Mr. BURT: No, we had them associated with our council for years.

Mr. BELLINGHAM: They went with us to present the brief to the government.

Mr. NASSERDEN: I have a supplementary question. Is there any particular thing that you could recommend along that line that might affect the price of farm machinery or lower it or increase efficiency of the plants?

Mr. BURT: I have no answer to that at the moment.

Mr. NASSERDEN: If you say the cost of farm machinery is too high today, you think there must be some way to lower it. You must have some idea in your mind.

Mr. BURT: We make some rather broad inferences here in our memorandum as to the ability of the employer to lower his price even within the present structure.

Mr. SLOGAN: What are you prepared to do? We hear from everybody what the other fellow should do; what are you prepared to do?

Mr. BURT: What we would suggest is in two fields: first of all we increase our productivity, and secondly we lower our wages. Those are the only two fields in which we operate. We are not prepared to say that until we talk to the employer.

Mr. WEBB: Along this line, take as an example the motor for a roller. Take the instance of a plain grain roller. If you put a one horsepower moisture-proof, dustproof motor on it at our Canadian prices it is about \$202. We can get a 1½ horsepower English motor—a very fine motor—for \$125. We have some \$80 odd difference on a \$125 object. When you go out to the farmer to sell this, how many farmers are going to buy for \$80 odd? They are going to take the stronger motor. I think that is one of the questions that is coming up constantly in the committee. What is the difference in these things?

Mr. BURT: That is a point that will have to be discussed in a kind of tripartite set-up, as was proposed here. I do not know where else you could do it. The employer is not here right now. We are here, and it is pretty hard to make any kind of commitment in answer to this question.

Mr. WEBB: This has nothing to do with it, but just yesterday I looked at the quotation of a Canadian—it has nothing to do with the problem of farm machinery, but this man was in the fishing industry and up to this date he paid \$66,000 for a 365 horsepower diesel engine. He has been quoted by Sweden on an engine for \$25,700. There is a great difference and not everyone can question the craftsmanship of a Sweden engine.

Mr. BURT: There is also a very high standard of living in Sweden.

Mr. WEBB: Yet there is that difference.

Mr. PETERS: I have been interested in the discussions that went on and I think it is a good thing that these questions have been asked. I would like to ask some questions along a different line. We have continuously heard from the farmers, and questions have been asked of manufacturers in relation to some of the things, and labour is always responsible for the cost of machinery. One of them is this business of planned obsolescence.

Is there any assistance which your organization can give us in this field of what the farmer often considers, or which an economist sometimes refers to, as planned obsolescence? Is this a factor, in your opinion, in the farm machinery industry? Is there anything we can do about it, if it is.

Mr. BURT: I am just conversing with my colleagues to find out whether or not we have any opinion on that.

Mr. COBURN: This is an area in which management always tells us it is the manufacturer's prerogative. We do not have much information on it. I would think that the people using the machines would be much more conversant with that problem, than the people who merely make what somebody else designs.

Mr. PETERS: Have you any solution to offer the committee in relation to the high cost of replacement parts? So far as the farmer is concerned, replacement parts are much more expensive than the original component parts. There is a considerable outlay in respect of certain types of machines for these parts. The cost seems to be exceedingly high.

Mr. BURT: We always claim, although we cannot produce any figures, that in the implement and automobile industry one of the most lucrative

sections of the industry so far as profit is concerned is parts. We cannot back this up, but it has always been in our mind that it is so.

Mr. PETERS: Is there more labour cost in the replacement part than in the component part?

Mr. BURT: The companies have quite a problem in maintaining their parts for so many years, as you know; and if there are short runs it is far more costly than if there is volume production. If they have to change dies and change tools in order to meet a certain demand, there is no doubt it would be more costly.

Mr. PETERS: I believe two or three of the provinces in Canada have a law concerning replacement parts. If this were in effect across the country would it mean that replacement parts would be produced at the same cost as component parts? In other words when a manufacture sets up a model, if at that time he was compelled to include an estimated ten years supply of component parts, rather than having to set up machinery to produce replacement parts, would this have an effect on the price?

Mr. KIDD: Then he would have to carry a larger inventory.

Mr. COBURN: I imagine the manufacturer would tell us that carrying that kind of an inventory would mean that the replacement parts in the long run would be more expensive than the original. I do not know, however, whether or not that expense justifies the price differential between a component and a replacement part. Certainly we are not privy to the manufacturers' secrets, but I think there is a general impression that this is an extremely profitable branch of the business.

Mr. PETERS: I have heard the charge made that on a \$300 binder made up of component parts, that the replacement parts out of the catalogue would cost \$1200. This would indicate that you could store them for a week or a long time in a barn at some savings.

Mr. HORNER (*Acadia*): You might never use some of them.

Mr. PETERS: I am not suggesting the farmer should store them, but rather that they be stored in a factory or something.

Mr. BURT: They do make extras. They build extra parts as they make the regular component.

Mr. PETERS: If a law were passed making it a mandatory requirement that—they keep a ten year supply, would that, in your opinion, eliminate the high cost of production and therefore reduce the cost to the farmer of these current parts—not obsolete parts, but current parts.

An Hon. MEMBER: How much is a ten year's supply?

Mr. PETERS: The provinces of Saskatchewan and Manitoba do have a law that a certain stock be guaranteed.

Mr. COBURN: We do not have any detailed information on which to say that the high cost of replacement parts is due to the high cost of producing them. It may be due to the fact that at this point the customer has a machine and has to have that part when the machine breaks down. Most companies act on the principle of charging what the traffic will bear.

Mr. PETERS: Why have the U.A.W. not equalized the wage structure between Canada and the United States?

Mr. BURT: I guess probably because they knew they could get away with it and that the differential was so great that it would be almost impossible to close the gap immediately. Actually during the war period when we were frozen the gap between our wages increased. At one time Ford paid the same in Windsor as in Detroit when he put the twenty-five cents an hour into effect. Now, however, there is a forty-five per cent differential. It is the same in this

industry. We do not see the need for it, but we have been unable to convince the employer to see our way. At every negotiation there generally is one clause which we try to write in and that is to cut the differential between Canada and the United States.

Mr. PETERS: The matter was raised about the taxes of a company being increased because of their extending their holdings. In your negotiations and your understanding of their financial set-up, are these extensions of holdings—large capital gains that they use to renew buildings and build new buildings—a recapitalization by the shareholders or do they come out of the farmers' money paid for farm machinery? In other words, is this considered to be a capital expenditure or just a current expenditure paid out of profits?

Mr. COBURN: It is considered as capital expenditure, but you would have to examine the financial statements of each company separately in order to be able to give a complete answer.

Mr. PETERS: I am curious to know.

Mr. COBURN: The general practice in industry today is that they make two profits, one to pay the shareholders, the other to be put aside as a reserve which they use for capital expansion.

Mr. HORNER (*Acadia*): Is that wrong?

Mr. COBURN: I think, myself, it is economically wrong. I think it is responsible for a lot of the trouble we are in.

Mr. HORNER (*Acadia*): Do you say that theory should not hold for the western Canadian wheat pools?

Mr. COBURN: I am not familiar with wheat pools.

Mr. HORNER (*Acadia*): I am saying it does hold true for them, but are you saying that if it is wrong for industry it is wrong for them, too?

Mr. COBURN: Inasmuch as wheat pools are co-operative enterprises, they are an entirely different proposition.

Mr. NASSERDEN: Do you think industry is not entitled to earn to sustain itself?

Mr. COBURN: But this is not talking about sustaining itself. That is carried out by depreciation allowances, which never appear in the profit figures at all. What industries get now is a depreciation allowance to replace what they have in the way of buildings and plant. This is an additional profit for expansion.

Mr. NASSERDEN: But is not that one of the signs of our times? The farmers and everybody else need more capital today.

Mr. COBURN: Yes, but if corporations would only satisfy themselves with a rate of profit which would enable them to pay a reasonable dividend, and then go into the money market for the money they need for expansion, in the same way as the farmer has to do, or the man in the city who wants to buy a house, they would be able to reduce prices substantially, and the purchasing power of the people of this country would be considerably greater. I think the end of that would be more profits.

Mr. NASSERDEN: But they would have to pay interest on the money they borrowed.

Dr. FORSEY: You get a distortion of investment in certain things because they bypass the capital market completely.

Mr. PETERS: I ask this question because it seems to me it has a great bearing on the question raised by Mr. Boulanger in regard to profit-sharing. If a company were going into capital expansion out of current revenue, then

obviously this would be out of the workers' pockets, and eventually would be at the expense of the farmers who are going to buy the machines? It seems to me this has a bearing on the idea raised by Mr. Boulanger.

Mr. BOULANGER: Under profit-sharing arrangements there is a reserve made, and the expansion comes from the reserve.

Mr. KORCHINSKI: I do not know where this country would be if a company was not entitled to make a profit.

Mr. WEBB: When these figures were submitted by International, the increase was on identically the same buildings. It was not on expansion at all. It was on the buildings which had been there, and the whole increase was put on them.

Mr. BELLINGHAM: You mean 280 per cent?

Mr. WEBB: Yes.

Mr. BELLINGHAM: I am a resident of the city of Hamilton, and I am sure the taxes never went up that high.

Mr. WEBB: That was their statement.

Mr. BELLINGHAM: We do not know they figured that out.

The VICE-CHAIRMAN (*Mr. Smallwood*): You made a statement this afternoon that they made a big investment, and it does not stand up now.

Mr. MANDZIUK: What is your opinion, Mr. Bellingham? When a company expands, you contend that expansion should mean an increase in the labour force?

Mr. BELLINGHAM: No.

Mr. MANDZIUK: What was the sense of the expansion of the company you referred to earlier? I am just asking that for the sake of information.

Mr. BELLINGHAM: More efficient operation, for one thing, and some of the buildings they put up made for more efficient operation.

The VICE-CHAIRMAN (*Mr. Smallwood*): And there are fewer employees?

Mr. BELLINGHAM: Yes, there are fewer employees.

Mr. HORNER (*Acadia*): The suggestion was made that companies never go to the money market and borrow money, but I have Massey-Ferguson's figures here, and they show their long-term debt is \$93 million, while their capital retained earnings are only \$200 million. This suggests their long-term debt is relatively half of their capital retained earnings. Therefore, they must be going to the money market.

Mr. PETERS: Was that the money they borrowed to set up the finance company?

Dr. FORSEY: They get a lot of their capital out of their retained earnings, and they by-pass the capital market to a considerable degree.

Mr. HORNER (*Acadia*): To a considerable degree?

Dr. FORSEY: Yes.

Mr. HORNER (*Acadia*): But here it shows their long-term debt is \$93 million and their capital and retained earnings are only \$200 million. Their long-term debt is almost half of that, and all I am saying is that must have gone to the money market for quite a good—

Dr. FORSEY: Contribution.

Mr. COBURN: This is why I have just said you have to look at the books of each company to get an intelligent estimate of what they have. Some companies have gone to the capital market, and others have not gone to it at all.

Mr. KORCHINSKI: My question has to do with the tables in the brief, and I want something clarified. On page 3 you submit some figures, such as for wages, 29.1 per cent in 1947. I believe these are D.B.S. figures?

Mr. COBURN: They are taken from D.B.S. figures, yes.

Mr. KORCHINSKI: So, for example, the hourly wage rate earnings would be based on D.B.S. figures also?

Mr. COBURN: The hourly rate is collected separately by D.B.S. You could not calculate hourly rates from these figures.

Mr. KORCHINSKI: How do you collect wages?

Mr. HORNER (*Acadia*): The lump figure is given.

Mr. COBURN: If I may explain, the D.B.S. once a year issues a statistical report on the agricultural implement industry, in which they give, for example, the total amount paid out in wages, in salaries, costs of materials, and the other figures here. But the figures you get in your blue book as to average hourly earnings are collected quite separately, on the basis of monthly figures received from the plants. They do not necessarily cover the same plants. They are probably fairly closely comparable, but they are not just exactly the same.

Mr. KORCHINSKI: That is the first point I wanted to make. I am now going to use International figures. For example, they started in 1949, but I am going to use 1952 as a base. In that year the figure was \$1.98 for the average hourly earnings.

Mr. COBURN: In 1952, \$1.98?

Mr. KORCHINSKI: Yet, and according to the D.B.S., the figure was \$1.60. Also, the D.B.S. figure for 1958 is \$1.92, and yet their figure is \$2.51.

Mr. BELLINGHAM: You said \$2.51?

Mr. KORCHINSKI: That is right. These are the figures. There is nothing wrong with these figures, but I am going to suggest that the figures in your brief do not include fringe benefits.

Mr. COBURN: When they give figures for total wages, I am quite sure they would include the fringe benefits in their wage costs, and I would be reasonably certain they are in the figures we have here—the annual figures.

Mr. KORCHINSKI: I would say the International figures are not the same as those you use, because you are using D.B.S. figures.

Mr. COBURN: But the D.B.S. figures we used are not the ones you have in that blue book. They come from a different source and are calculated in a different way.

Mr. KORCHINSKI: It is the hourly average wage earnings for the agricultural implement industry. If it is the D.B.S. report, then it is the same figure?

Mr. BURT: Not necessarily?

Dr. FORSEY: What you have in table 1 are the figures from the annual reports. The lists in table 2 on page 4, where you have hourly average earnings at (5), are the D.B.S. review of man-hours and hourly earnings, and are shown as 170.2 in 1952 and 203.2 in 1958, and they are based on the blue book you have in front of you.

Mr. KORCHINSKI: If that is the case, I just want to point out one other thing. One of the witnesses before this committee mentioned that fringe benefits cost his company about 30 per cent, and that compares with the D.B.S. figures, if you look at the chart.

Mr. HORNER (*Acadia*): That is 30 per cent of what?

Mr. KORCHINSKI: Of the wages—30 per cent of the wages—that is the average hourly rate, so that if you add this 30 per cent to the average rate

on page 5 of the brief I believe you will get the actual true figures. Instead of the D.B.S. figures for a price increase between 1947 and 1958, it would be actually about 39 per cent, rather than the total of 30 per cent.

Mr. COBURN: This is quite incorrect, because we are not using the same figures in the blue book in making these calculations. Our wage figures are taken from the companies' figures of wage costs and, although the D.B.S. does not say so specifically, I am quite certain that those wage costs represent the total wage costs, which include the fringe benefits.

Mr. KORCHINSKI: That is right, and that is exactly what I said. We want to know how this was arrived at. A previous witness told us: "We have taken the total wages, fringe benefits and everything we have paid these people, and have divided it by the number of hours they worked in each year." These benefits, I think, are not included in the calculations which you have made.

Mr. COBURN: Our calculations are made from the D.B.S. figures. They are taken from another D.B.S. publication, and not that one there at all.

Mr. BURT: And they are included in those figures; we do not want to table them twice.

Mr. FORBES: Why do we not all use the one book?

Mr. KORCHINSKI: If it is the hourly average earnings for workers in industry, I am sure it is the same, no matter what book they come from.

Mr. COBURN: I am sure the wage costs include the fringe benefits.

Mr. KORCHINSKI: Do you not think there are certain contributions which a company makes which might be included in non-specified costs? I am thinking of medical contributions, unemployment insurance, and such things.

Mr. COBURN: That all comes under the heading of wage costs. That would not come in under unspecified costs. The standard method is to put the costs attributed to labour as labour costs.

Mr. HALES: I just want to make one or two short observations, and then ask two or three specific questions which I want answered with a "yes" or "no". My first observation is that I feel we have all got quite a bit out of this today, but I am sorry the brief did not use the same years so that we could compare it with the other briefs we have had before us. For instance, some of them started in 1949 and went through to 1960, while this brief today starts in 1949 and only goes as far as 1958. I am also sorry that labour, or at least the inventory figures, have been used for 1952 and 1958, but not for 1947, and thereby mislead. However, that is the way the brief was presented, and we have had to work with what we have before us, but I am sorry it was not in the form I just mentioned.

My first question is this: would the witness agree that wages generally have gone up in the last ten years?

Mr. BURT: Sure.

Mr. HALES: Secondly, would you agree with the statement which is to be found in the report of our proceedings, No. 5, on page 352, which is from a D.B.S. review of man-hours and hourly earnings? That statement sets forth the average hourly earnings in all manufacturing as \$1.72, in durable goods as \$1.87, in iron and steel products as \$2.01, in transportation equipment as \$1.99 and in agricultural implements as \$2.02.

Mr. COBURN: The D.B.S. figures are good in so far as what they are prepared to give us.

Mr. HALES: That being the case, they show us the agricultural implement people are making 30 cents an hour more than the average in all manufacturing. That is a fact?

Mr. COBURN: Drawing that assumption and those comparisons can be very misleading, because the average wage in an industry is the average of a large number of different classes of workers. You have some highly skilled workers and some completely unskilled workers, and the proportion of skilled workers in each industry may vary considerably, so that you may have two industries in which men doing the same work are paid the same wages, and yet the average wage in one industry is higher than in the other, because it has more highly paid workers.

Mr. HALES: That being the case, do you agree those employed in the agricultural implement business are getting 30 cents an hour more than the average of the others?

Mr. COBURN: That does not necessarily mean that any worker in the agricultural implement industry is getting 30 cents an hour more than he would be getting if he were doing the same job in another industry.

Mr. HALES: But according to the rates supplied to the D.B.S., you are higher than people in other industries.

Dr. FORSEY: Look at coal and petroleum products, and at primary iron and steel.

Mr. HALES: Iron and steel shows an average of \$2.01 an hour.

Dr. FORSEY: What is primary iron and steel?

Mr. HALES: The figures are not broken down into that.

Dr. FORSEY: You have quoted the figure for the agricultural implement industry, but I submit that the average for the primary steel, and the coal and petroleum products industries is much higher. You also have not got the figures for smelting and refining of non-ferrous metals. There are a variety of things where the average is higher than in the agricultural implement industry.

Mr. HALES: Let that be as it may, but does the witness agree that wages must automatically reflect in the cost of the product being manufactured?

Mr. BURT: Not necessarily.

Mr. HALES: Then you do not agree that wages are reflected in the cost of what you are making?

Mr. BURT: Not necessarily In the cost?

Mr. HALES: Yes. I shall finish with this. Do you agree labour must assume its fair share of the cost of the product that is being manufactured?

Mr. BURT: Its fair share—yes.

Mr. HORNER (*Acadia*): I have a statement here which is similar to one we often see in labour publications, to the effect that labour is left with no alternative but to press for wage increases until a proper balance is established between wages, prices and profits. Now, this committee has heard quite a bit about wages, we are studying prices, and we have also heard a little bit about profits. Could you give the committee some idea of what you think proper profits should be, in this line of attaining a proper balance between wages, prices and profits? This is the thing we are trying to establish? I know the farmers' point of view, and they are asking when is it going to end? Apparently this continual spiralling will go on until the "proper balance" is established.

Mr. COBURN: I would say the proper balance between profits, wages and prices is one when there is enough money going into the pockets of the people of the country to purchase the goods industry is able to produce, so that you do not have a lot of people unemployed who are not adding to the national wealth of the country.

Mr. HORNER (*Acadia*): That is true, but if the farmers have purchased all the machinery they want, you just cannot go on making machinery and expect them to continue to buy it. The Canadian public can only buy so much of what is produced. We have to sell the rest of it on the world market, and you cannot control the conditions, particularly those outside this country.

Mr. COBURN: That is true or not, but I think that it is a mistake to over-emphasize the problem of conditions outside of this country because our industry relies to a very limited extent on export trade. They certainly can be self-sufficient, if they want to, with the exception of a few products which they have to import, and yet they have exactly the same products, that is the purchasing power to buy what industry is capable of producing.

Mr. HORNER (*Acadia*): Could you give the committee some idea as to what would be a fair profit return on investment?

Mr. COBURN: I would not be prepared to set a figure.

Mr. HORNER (*Acadia*): In answer to a question put by Mr. Nasserden this afternoon you said there is some room for lowering prices, and you said that you made some broad inferences in your brief. Perhaps they were not broad enough, perhaps Mr. Nasserden and I never got them. Could you tell us what you were hinting at particularly?

Mr. BURT: I think the brief is pretty well self-explanatory in respect to the distribution of the sales dollar. We think costs to the consumer are too high and these companies could afford to take a little less.

Mr. HORNER (*Acadia*): In other words, you think the companies today are making too much profit?

Mr. BURT: I think so.

Mr. HORNER (*Acadia*): In this particular industry?

Mr. BURT: In industry in general.

Mr. HORNER (*Acadia*): In other words, 3 per cent of all sales which Massey-Ferguson claims they made you feel is too high a profit?

Mr. BURT: We are not talking about it in that relation. We are thinking of what they invested.

Mr. HORNER (*Acadia*): What do you think Massey-Ferguson made—a return of investment of about 10 per cent before income tax and 6 per cent after income tax? You think that is still too high in your interpretation of profits?

Mr. BURT: I have no thinking on the matter in that regard. I would imagine the employer has always decided on what he wants to make. We think that particularly in companies that administer prices, they do it on the basis of profit they want to make rather than on the other factors that go into cost.

Mr. HORNER (*Acadia*): Do you not think the farmers are price-wise at all? Do you not think they do any shopping to seek out the lower priced tractor?

Mr. BURT: They probably do take two things under consideration—the best built one and the lowest price one—the best built one for the lowest price.

Mr. HORNER (*Acadia*): So that if one company increased their prices—I am going to refer to two particular companies, not using them as examples—Massey-Ferguson is a big company, Cockshutt is a little company. Their combines are a lot alike—they might not admit that—but a lot of the farmers, particularly in western Canada, would accept that statement. If Massey-Ferguson priced their combine high, for example, do you not think there would be a tendency for a number of farmers, if they get the same service from the dealer, to revert to Cockshutt?

Mr. COBURN: If Cockshutt would bring the prices to the same level.

Mr. HORNER (*Acadia*): Even if Cockshutt are having a hard time staying in industry?

Mr. COBURN: This simply gives them an opportunity to get a larger unit profit.

Mr. HORNER (*Acadia*): They are not trying to catch any more of the market?

Mr. COBURN: I do not think so.

Mr. HORNER (*Acadia*): From reading their brief, they are having a hard time staying in business. You say they are not trying to capture any more of the market?

Mr. COBURN: I doubt that very much. If they tried to compete pricewise with Massey-Ferguson or International Harvester, they would soon find the prices would come down, so they do not try.

Mr. HORNER (*Acadia*): Do you think the prices would come down?

Mr. COBURN: If they tried to compete; but they do not try.

Mr. HORNER (*Acadia*): To go back to profits, in the C.C.I.L. brief to be presented to the committee—they have not yet presented it and I do not know whether they are going to or not—they suggested that while profits were high in the early 1950's, they could return big dividends to the purchaser, as much as \$600 or \$700 on a combine—it was as high as \$1,400 in the early 1950's on a combine. But in the last three years, in the late 1950's they have not been able to return dividends; in fact they were pressed back to the wall because there has not been enough spread for them to return to the producer. Actually there was no advantage for the producer to buy their products. This is taking it from their own brief. With that in mind, do you still think Massey-Ferguson and some of the big machine companies have made big profits in the late 1950's? I am not speaking of the early 1950's, they were high then, but I am talking about the late 1950's.

Mr. COBURN: I would say the companies have put themselves in a position where their profits are probably not as high as they would like them to be because they skimmed all the cream off the market in the early 1950's when prices were very high. I saw some Massey-Ferguson figures, which I think were presented to this committee, which indicated that in 1950 the return on their investment before taxes was about 67 per cent and their profits represented about 20 per cent of the sales. The result was that they milked the farmer dry in that period when he had extra cash, and they are paying for the consequences now.

Mr. HORNER (*Acadia*): How do you mean that?

Mr. COBURN: The market was very largely dried up. Farmers do not have the money to buy equipment.

Mr. HORNER (*Acadia*): In 1959 John Deere said they sold more than ever before, and that they had higher profits than any year before 1951.

Mr. COBURN: John Deere is an exception.

Mr. HORNER (*Acadia*): Actually purchase of farm machinery is continuously rising. Farmers' purchases of new machinery in Canada in 1959 and 1960 were \$212 million each year. This, compared to say, 1950, to use that as an example; farmers purchases in Canada of new implements was \$118 million for that year. Farmers were purchasing at nearly the level they did in 1950.

Mr. COBURN: Not nearly the level. \$212 million would not begin to buy the same machinery. We are certainly aware of the fact that farmers are buying far less because far fewer members of our industry are working.

I was asked a question earlier, and I did not have the exact figures as to what the decline in employment of our industry had been. The last figure I had is for 1960, at which time we had 6,916 wage earners in the plants. That was in November 1960, and it is less than half the average employment in 1952 when it was 14,513.

Mr. HORNER (*Acadia*): To go back to 1946 or 1945, how does it compare?

Mr. COBURN: I do not have it earlier than 1947. You have got to remember that 1945 and 1946 were years of war industry. In 1947 it was 13,688; in 1948, 16,051, substantially more than double what the present employment is now. We are very keenly and painfully aware of the fact that farmers are not buying nearly as much in physical volume of farm implements as they used to do.

Mr. HORNER (*Acadia*): But purchases of farmers have remained relatively level?

Mr. COBURN: In dollar terms.

Mr. HORNER (*Acadia*): Since 1954?

Mr. BURT: Is not a great deal of volume in tractors?

Mr. HORNER (*Acadia*): For tractors there is a table presented in units, thousands of units, presented by the implement dealers to this committee. It suggests that in 1954 the purchases of tractors in Canada have remained relatively level.

Mr. COBURN: What were they before 1954?

Mr. HORNER (*Acadia*): They were high in 1949, and this is in units. They reached a high of pretty nearly 60,000 units in 1949, and the remaining level at about 30,000. This is reading the graph rather roughly. Before 1949, from 1945 to 1949, they climbed all the way from 20,000 to 60,000. It has to level out, do you not think so? This particular brief showed a comparison between the decline in horses and the increase in tractors. The years between 1945 and 1950 saw the sharp increase of mechanization in farms. You will agree with this. But this increase could not continue at that level because farmers will eventually be reasonably well stocked up because a tractor's life is up to 40 years. We had evidence before the committee.

Mr. COBURN: If you are suggesting farmers in Canada today are in a financial position to buy all the equipment they need, I think you are very much mistaken.

Mr. HORNER (*Acadia*): I am not suggesting that; I am suggesting that farmers could not continue to buy implements at the rate they did during the late 1940's and early 1950's. I am suggesting it was bound to level out sooner or later.

I should like to put more emphasis on this question. To come back to the profit angle, you agreed that 10 per cent and 6 per cent before and after income tax was still too high? Do you agree with that? Could you give us some idea what the returns on the dividends should be on investment to the shareholders? You suggested something about dividends earlier on.

Mr. COBURN: No, we cannot give a flat figure because a great deal depends on the stability of industry itself. In other words, in a very risky industry you would naturally expect, if people were going to invest in it, a larger return than in a very stable and secure industry.

Mr. HORNER (*Acadia*): Would you say this is a risky or stable industry?

Mr. COBURN: It certainly has been much less stable in the last few years than it was earlier.

Mr. HORNER (*Acadia*): John Deere said it was a risky business.

Mr. COBURN: Let me say this: I have never yet seen a statement by any manufacturer in any industry about his business, that is not a very risky industry. In the automobile industry, General Motors can average a 25 per cent yearly return on their investment after taxes, and they still claim it is a risky industry.

Mr. HORNER (*Acadia*): They might well be justified in doing that. The greater the risk in the good years the greater the profits. For instance, J. I. Case lost 18 cents on the dollar this year. To look at that year, you could say that for J. I. Case it was a risk. The greater the risk the greater the profits in the good years.

Mr. COBURN: This does not necessarily work out that way.

Mr. HORNER (*Acadia*): It tends to. Farmers' business is a risky business, therefore in good years when wheat farmers receive good crops—30 to 40 bushels an acre—their profits may be higher, but when they receive a bad crop or are hailed out, they have no profits whatsoever—they are in the hole.

Mr. CLERMONT: Mr. Chairman, if the farm implement industry was nationalized, do you think the farmers would pay less for farm implements?

Mr. COBURN: I have never seen a suggestion that the farm industry should be nationalized.

Mr. CLERMONT: It was said so by one group that presented a brief here not long ago.

Mr. BURT: We cannot answer this question.

Mr. FORBES: Mr. Chairman, I would like to get an expression of opinion from the witnesses on the proportion of costs in the manufacture of a windrower. These were supplied by International Harvester Company. They say materials, steel, wood, cotton duck, pipe and tubing, tires, bearings, chain, propeller and power shafts, machine tool repair parts, cutting tools, abrasives, cutting oils, miscellaneous supplies. Now, the proportion of these material costs varies from 48 per cent in 1954 to 50 per cent in 1960. In the labour costs they include salaries (foremen, purchasing, industrial relations, planning, accounting, material control, et cetera). They also include fringe benefits, welfare plans, vacation plans, et cetera. They also include receiving and shipping labour. These labour costs vary from 41.44 per cent in 1954 through a range of percentages back to 41.44 per cent in 1960. In your opinion, is that a fair proportion of costs in connection with manufacturing that windrower?

Mr. COBURN: It is quite impossible to say unless you have a great deal more information about that particular manufacturing operation. You cannot pick a manufacturing operation out of a hat and ask us to say whether a certain division of costs is fair or not. We just do not know.

Mr. FORBES: I imagined you fellows were trying to present your case to the machine companies and would have some basis of cost figured out to show them what it would cost.

Mr. COBURN: No, they never give us that information on which we could calculate.

Mr. BELLINGHAM: We cannot get that information from the machine companies, and never knew until we came to Ottawa the price of a windrower, until we saw it in the Harvester brief. It is the first time we knew what they charged for it. I cannot tell whether this is an objective case, as I have had no opportunity. I do not know whether we are making it cheaper this year than last year, but at least the men working on it are getting the same wages.

Mr. FORBES: You fellows work on these things every day. Do you not try to find out what it costs your factory to produce them?

Mr. BELLINGHAM: We know what it costs to make it, but we do not know what the total would be. We do not know what the foreman's wages are, and we do not know what the other charges are. How would we know?

Mr. FORBES: Is this your feeling, that it is well proportioned—half labour and half material?

Mr. BELLINGHAM: I cannot say.

Mr. FORBES: You would not venture a guess?

Mr. BELLINGHAM: No.

Mr. SOUTHAM: I have been listening with a great deal of interest all evening, and have been waiting to ask a question. I would like to follow up the line of argument that Mr. Slogan introduced. Our prima facie problem is to find out the cause of the increase in the cost of farm machinery, and it is our responsibility as a government to see that all the people living here have an equal opportunity. I am thinking of labour, of industry, of the farmer and the businessman. I have no quarrel with collective bargaining as part of our democratic rights, as one of the things you yourselves as a labour group are primarily interested in. However, in making this point, I assume that with collective bargaining would also go economic responsibility. I was interested to notice in one of your briefs if you had some suggestions as to what you think we could do to help solve the problem, which is basically our problem here. There has been skating around this point for quite a while this afternoon, but I would like to get down to that basic question. What basic contribution, in your opinion, could you make, in the way of suggestions to this committee to help solve this problem?

Mr. BURT: We have already said we are prepared to sit down with the representatives of the management and if the government would assist us, and the representatives of labour, and talk all these problems over to see what we can contribute. One reason why our contribution in some of these spheres of economics is less than it should be is because we are not taken into the confidence of the people with whom we are dealing. I understand that one representative before your committee said that the information you wanted was confidential. We get that thrown at us, too. We do not set the prices of farm machinery. Our contribution would be in relation only to conversations and discussions which we would have, in some kind of tripartite group, to see what kind of contribution we could make. Our proposal several years ago about taking a look at our wage demands, if the companies would reduce their prices, was made almost in the nature of buying a pig in a poke. We felt that they might reduce prices, we wanted to sit down and discuss these things but we did not get this opportunity.

Let me make this clear, also. The workers in these heavy industries particularly when they are facing every day efficiency experts and all kinds of quality-control inspection and so on, find it is not as easy a job as some people suppose it is. I have not seen too many of our agricultural implement workers retiring on big fat retirement pensions, nor are they generally in a position to retire at all. Generally when they reach the age of 65 they barely have a modest home paid for, and then they have to exist on their retirement pension of whatever has been negotiated between the company and the union. Some of them are in a far worse position than the farmer, particularly those who are out of work for a certain length of time. Therefore, as far as your question is concerned, it would be determined wholly at conferences, as to what we would be able to arrange between management and labour, probably with government assistance, in order to find a solution to these problems. That cannot be done in a day.

Mr. SOUTHAM: I am very glad to hear you making that statement because on casting my mind back to 1958, when this government took over—and I am

not casting reflections on any government as it is any government's responsibility to look after these things and to look after the people under its jurisdiction—in 1958 our Prime Minister, at the invitation of the Labour Congress addressed a meeting in Winnipeg. I believe it was on May 17, and he talked seriously about these problems. He pointed out that the responsibility was on the shoulders of industry and he gave a forthright talk. I was very interested because it faces up to this problem. I am sorry Mr. Knowles is not here. At that time he made a statement from the very same platform and said the problem which he saw, as being responsible for his group, that it was the demand for higher wages, shorter hours, and more fringe benefits. I think that is in your statement here today, and I think it is a very hopeful sign.

Going back to the old country, where there is a highly efficient and organized labour force, the most highly organized in the world, we find that, particularly after the last war, when English economy was down and out, and Britain was nearly brought to its knees, labour and industry cooperated, the people tightened their belts, even more than we did in Canada, with the result that in two years they had balanced their budget, and they were enjoying one of the best standards of living in the world. I think we could learn a lesson from those, and that that is the crux of the whole situation. We must get around the conference table and work with industry and get a proper approach to this whole problem.

Mr. BOULANGER: You should say that in the House of Commons.

Mr. HORNER (*Acadia*): There is one further question. You implied that the farm implement industry is not a risky business. You said the machine companies think it is, but you are not so sure it is. We have had evidence before this committee that C.C.I.L. perhaps would benefit a great deal if it added a manufacturing arm to its distribution service. Has the C.C.I.L. ever considered going into the farm implement manufacturing business, setting up a manufacturing shop and maybe adopting a distribution system? You might share some of the high profits you were talking about—10 per cent and 6 per cent—and pay it out in the cooperative business with the workers.

Mr. BELLINGHAM: Ten per cent and 6 per cent? Do you mean that of companies which are spending billions on buildings all over the place? Do not say that they are not a stable industry.

Mr. HORNER (*Acadia*): I do not know, except from their figures. John Deere said it was risky. You say it is stable. You say the profits are high. Here we have a distributing firm in Saskatchewan, Manitoba and Alberta which is having difficulty because it has not got a manufacturing arm. All I am asking you is whether you have ever thought of going into cooperative manufacturing, taking a group of implement men and putting all your unions together to do this?

Mr. BELLINGHAM: I will suggest that to the company tomorrow morning.

Mr. HORNER (*Acadia*): Not to the company.

Mr. BELLINGHAM: I thought you were asking us to take them over.

Mr. KORCHINSKI: Not to take them over, but for you to start on your own.

Mr. HORNER (*Acadia*): I do not want anyone to take over my farm, but there is nothing to stop me from going in and buying my neighbour out. That is what I am saying to you people. The profits are big, the industry is stable, there is a distribution firm which needs a manufacturing arm, a cooperative manufacturing arm would be all the better if it could be done, as they would do much better as a union. Has the C.C.I.L. ever thought of that?

Mr. BURT: The structure of the national congress is not at all suitable even to the contemplation of that.

Mr. HORNER (*Acadia*): I am just suggesting cooperative manufacturing.

Mr. BURT: In the first place, it would take a tremendous amount of capital and we would have to put ourselves in a competitive position. May I say that one of the few businesses affiliated to the congress, which are richer than the congress—

Mr. KORCHINSKI: How rich is the congress?

Mr. BURT: The congress is not very wealthy, it is living hand to mouth—I happen to know that. We are to some extent in the newspaper business, which is a very highly competitive one, as you know. We have an awful time making a success of some of our newspaper enterprises, because of the high competition financed by people who have a lot of money and have access to a number of things to which we do not have access. I know that some of the unions in the United States run businesses. Some of them have had rather sad experiences in that regard. Others have had very bad experiences. If there has been any thought by the congress of adopting such a suggestion it would be very quickly dissipated by the members.

Mr. HORNER (*Acadia*): It was just a suggestion. It need not necessarily be done by the congress itself. I might just enlighten the witness here that the C.C.I.L. was first founded and supported by the provincial governments in the prairie provinces, and particularly by one big organization, the Saskatchewan wheat pool and perhaps the Alberta wheat pool. These are the people who should put up the money. Then they could distribute the profits.

Mr. MANDZIUK: And the farmers themselves?

Mr. HORNER (*Acadia*): A lot of the farmers right in here had shares in this business and tried to promote this distribution business. It only seems logical to me that when we have the two groups trying to get together, they could go out and form a manufacturing business with some guidance from C.C.I.L., but not perhaps as a direct arm. Perhaps some people would give them guidance and a little bit of capital, and perhaps C.C.I.L. would give some finance. The Saskatchewan government said that any time the C.C.I.L. want to go into the manufacturing business, they would get a loan of money.

Mr. KORCHINSKI: They are broke.

Mr. HORNER (*Acadia*): The Saskatchewan government is not. Have you really considered going into the cooperative manufacturing agency in order to support your C.C.I.L. cooperative distribution system now firmly established in western Canada?

Mr. COBURN: Mr. Horner, would you think it would be a sound practice for say U.A.W., which has organized most of the workers in the industry, to establish a plant of its own to build agricultural implements, knowing perfectly well that the more successful that enterprise was, the more U.A.W. workers in other groups would find their jobs in danger?

Mr. HORNER (*Acadia*): You have said a lot were out of work right now. You have said there was unemployment. What I was thinking of was that you should pick up the slack.

Mr. COBURN: Not necessarily. What I am afraid is that it would mean the building of these things and then hand them over to John Deere.

Mr. HORNER (*Acadia*): You would also have such a volume of business that you could include them in your business.

The VICE-CHAIRMAN: We would like to thank you for appearing here with your brief today, and we would assure you that we were no more rough with you than with any other organization which has come here as a witness

at our inquiry into the farm machine prices. Probably you had one of the easiest times, as you are getting away at six o'clock and you are the first group that has done so.

Mr. BURT: Thank you very much, Mr. Chairman. I may say on behalf of our council that we appreciate the attention which has been given to our brief and the manner in which you have received it. I appreciate also that you have been less tough than with other delegations—although, confidentially, I may say that we thought you were pretty tough.

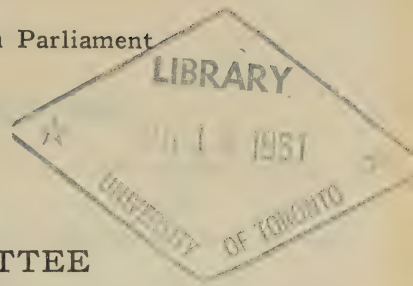
The VICE-CHAIRMAN (*Mr. Smallwood*): The committee will meet next Friday morning at 9.30 to hear the brief from Macdonald College.

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HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament

1960-61



STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

Respecting
PRICES OF FARM MACHINERY

FRIDAY, JUNE 2, 1961

WITNESS:

Professor David L. MacFarlane, B.S.A., M.Sc., Ph.D., Professor of Agricultural Economics, Macdonald College, McGill University.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.,
and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Regnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Rompere
Danforth	Korchinski	Slogan
Doucett	Latour	Southam
Drouin	Leduc	Stefanson
Dubois	McIntosh	Tardif
Dupuis	Mandziuk	Thomas
Fane	Michaud	Thompson
Forbes	Milligan	Tucker
Forgie	Montgomery	Villeneuve
Godin	Muir (<i>Lisgar</i>)	Webb—60.
Gundlock	Nasserden	
	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, June 2, 1961
(26)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Campbell (*Lambton-Kent*), Clermont, Cooper, Danforth, Doucett, Fane, Forbes, Hales, Henderson, Horner (*Acadia*), Horner (*Jasper-Edson*), Knowles, Korchinski, Lahaye, McBain, McIntosh, Mandziuk, Milligan, Muir (*Lisgar*), Noble, Pascoe, Peters, Rapp, Rompre, Smallwood, Southam, Thomas, Thompson, Tucker, and Webb—(30).

In attendance: Dr. D. L. MacFarlane, B.S.A., M.Sc., Ph.D., Professor of Agricultural Economics, Macdonald College, McGill University.

The Chairman instructed the Clerk to read a copy of a proposed letter on future plans of the Committee.

Agreed,—to discuss these plans on Friday, June 9th.

Agreed,—to take the Macdonald College brief as read and print it as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "A"*).

The Chairman introduced Dr. MacFarlane.

The Chairman withdrew and Mr. Clifford Smallwood, Vice-Chairman, took the Chair.

Dr. MacFarlane read a condensed version of the Macdonald College brief.

The Committee questioned Dr. MacFarlane on the brief.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING (27)

The Committee reconvened at 2.45 p.m. The Vice-Chairman, Mr. Clifford Smallwood, presided.

Members present: Messrs. Badanai, Clancy, Clermont, Danforth, Fane, Forbes, Hales, Hicks, Horner (*Acadia*), Horner (*Jasper-Edson*), Knowles, Korchinski, Lahaye, McIntosh, Mandziuk, Milligan, Muir (*Lisgar*), Nasserden, Noble, Pascoe, Peters, Rapp, Smallwood, Southam, Thomas, Tucker, Ville-neuve, and Webb—(28).

In attendance: same as at morning sitting.

Agreed,—That letter enclosing figures from International Harvester Company on Foundry Production be made an appendix to today's Minutes of Proceedings and Evidence. (*see Appendix "B"*).

The questioning of Dr. MacFarlane on the Macdonald College brief was concluded.

The Vice-Chairman thanked Dr. MacFarlane for his appearance.

At 4.45 p.m. the Committee adjourned until Monday, June 5th, at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

FRIDAY, June 2, 1961.

The CHAIRMAN: Gentlemen, I see a quorum this morning. Before we start our morning's procedure, I believe Mr. Southam has a correction to make.

Mr. SOUTHAM: Mr. Chairman, on the record of the minutes of proceedings of our committee, No. 10, for Monday, May 22, when we heard the witness from John Deere, on page 817, when I was referring to the duty being paid on combine cabs, I was quoted as stating that it was \$21 or \$22. It should be \$121 or \$122. I think Mr. Horner can corroborate my statement.

Mr. HORNER (*Acadia*): Yes, the duty is \$121 or \$122.

The CHAIRMAN: Gentlemen, as you probably are aware, we have only one other scheduled meeting besides the one this morning, that is next Monday when we have Cockshutt Farm Equipment Limited with us.

I will ask Mr. Lyons to read a copy of the letter you will all be receiving.

The CLERK OF THE COMMITTEE:

The standing committee on agriculture and colonization will conclude its hearings on Monday, June 5.

Your subcommittee on agenda and procedure has decided to hold a meeting, in camera, on Friday, June 9 to start on the preparation of a report.

I would appreciate it if you would put your views in writing, as to what you would like the report to contain and send your letters to the Clerk of the Committee or bring them to the camera meeting.

Yours sincerely,

James A. McBain,
Chairman.

Mr. HORNER (*Acadia*): Mr. Chairman, before we start tabulating any report, I was under the impression that Massey-Ferguson was coming back with some facts and figures. I do not care whether the subcommittee decided something or not, as to whether or not the committee has finished with its hearings. This should be left up to the committee itself, and certainly I was under the impression that Massey-Ferguson was to come back. I would like to know, for instance, what replies were received from the company. I suggested the Clerk write to a company in Alberta, and the rest of the committee agreed it was a good suggestion. We were to have letters from other machine companies—or write to them anyway—Oliver Company, J. I. Case, Minneapolis Moline, all of whom have a distribution centre in Canada. In 1948 J. I. Case was the third largest manufacturing concern in the North American continent, according to this brief we are having presented to us this morning. So I think this idea of winding up the committee on June 9 should certainly receive greater study than that.

The CHAIRMAN: Mr. Horner, the subcommittee considered the letter to which you are referring concerning the machine company out in Alberta.

Mr. HORNER (*Acadia*): Noble Cultivators.

The CHAIRMAN: Mr. Lyons informs me that he has received no reply from them as yet.

Mr. HORNER (*Acadia*): This points towards the fact that we should not wind up the committee investigations as yet.

The CHAIRMAN: It is not necessary to wind up this committee. We will have at least one or two meetings in camera to discuss further things. If the committee decides at that time they want to bring someone else here, that is up to the committee.

Mr. HORNER (*Acadia*): I am strongly opposed to this suggestion.

The CHAIRMAN: I wanted to pass to this committee what the subcommittee had decided yesterday.

Mr. HORNER (*Acadia*): Is this final? Is this when the committee is to wind up, June 5? Are we led to believe Massey-Ferguson is not to be called back to present figures? We have had other figures from all the machine companies and it is unfair that Massey-Ferguson should not come back and produce figures.

The CHAIRMAN: The committee can deal with that in camera.

Mr. HORNER (*Acadia*): Do you not think it would be better to line it up so that on June 9 we could have another machine company come before us? We would be wasting time in dealing with it in camera on June 9. It should be settled right now.

Mr. DANFORTH: Can we not have another meeting on June 5 and then an in-camera meeting on June 9 with the committee as a whole to determine future policy rather than argue it out and take the time of the witness this morning? I am in favour of some of Mr. Horner's suggestions. I think the committee as a whole should be taken into the confidence of the steering committee and have an opportunity to make suggestions as to procedure.

The CHAIRMAN: Mr. Danforth, if a room is available, I will have no objection to holding any meeting at any time.

Mr. MILLIGAN: Can we not meet on Tuesdays and Wednesdays instead of holding our meetings on Mondays and Fridays?

The CHAIRMAN: There are five committees meeting on Tuesday mornings.

Mr. MILLIGAN: I do not think we should be sacrificing our time, because many of our members are not on other committees.

The CHAIRMAN: These days have been assigned out to other committees and we are trying not to interfere with other committees, so that they can have a quorum. That is why our committee selected Mondays and Fridays when there are not so many other meetings going on.

Mr. DANFORTH: May we not have two meetings on Friday to take this up? I would like to see further discussion on this.

Mr. HORNER (*Acadia*): I would say one more thing on the whole subject. The thought of having Massey-Ferguson return was more or less tabled. It was not decided not to have them nor was it decided to have them, but the whole thing was tabled, and I was certainly under the impression that the committee would decide whether they wanted to hear them again. The committee, not the steering committee, should decide when they want to hear other companies, and I certainly think we should have a meeting to decide this. Perhaps now is not the time. Maybe if this brief winds up relatively early this afternoon we could decide it then, but the committee should decide it rather than the steering committee.

Mr. SMALLWOOD: We were going to suggest that you bring your suggestions in.

Mr. HORNER (*Acadia*): You are wasting the whole of Friday.

Mr. SMALLWOOD: The subcommittee decided to hold a meeting on June 9 in camera, to decide what we would do with the rest of the machinery com-

panies, and with the report. We are not closing off the hearings. You will have plenty of opportunity at that meeting to put forward your views.

Mr. SOUTHAM: I would like to go on with the suggestion. I am quite in agreement with this possibility of the steering committee looking over and suggesting what should be brought into the report, not to wind this up as the final hearing.

Mr. SMALLWOOD: We are not.

The CHAIRMAN: It is not the intention to wrap it up entirely.

We have with us today David L. MacFarlane, professor of economics at Macdonald college, province of Quebec. Dr. MacFarlane is also economic consultant to the Quebec Agricultural Marketing Board and presently is serving as a member of the Quebec dairy industry inquiry committee. He is chairman of an Ontario commission inquiring into the area of possible conflict between cooperatives and marketing boards. Recently he was a member of an Ontario dairy industry inquiry committee. The report of that committee has been received with great interest and may lead to substantial changes in dairy marketing in Ontario.

Professor MacFarlane also has served as consultant to the present royal commission on transportation and is now working on an assignment from the royal commission on government organization. I am very pleased to present Dr. MacFarlane.

Before Dr. MacFarlane proceeds, is it agreeable we accept the brief as read?

Mr. HORNER (*Acadia*): Before he proceeds, I wonder if he would state on whose behalf he is presenting the brief—whether on his own behalf as professor of economics at Macdonald College, McGill University or not. Would he give us some information as to whose beliefs are in this brief, and on whose behalf he is presenting it?

Dr. DAVID L. MACFARLANE (*Professor of Economics, Macdonald College, McGill University*): Mr. Chairman and gentlemen, I am very pleased to make a statement on this matter. This is an absolutely independent brief. It expresses my own views and only my own views. It also expresses the views of the Macdonald College inasmuch as the views of any such institution are the views of its professors. The university belongs to the professors, and they are authorized to speak on behalf of the university.

Mr. McINTOSH: I intend to ask Dr. MacFarlane a question, also. It will take a couple of minutes. It is: What is his definition of agricultural implements? Should I ask that now, or when he has finished his brief?

The CHAIRMAN: Dr. MacFarlane has an oral statement which he would like to make. I hope every member has a copy. In so far as he can deal with your question, Mr. McIntosh, he will do so after he has presented this condensation of his brief.

Dr. MACFARLANE: Thank you, Mr. Chairman. I am very pleased to have the brief itself accepted as read. I will read now this short statement. I do not think I shall introduce any comments during the reading of it, although I suppose that, with the chairman's permission, you may interrupt even as I read this. The statement is as follows:

Economists working on the problems of the Canadian farm industry are most sympathetic with and understanding of the situation confronted by the farmer and by your committee. They are very much aware that farm prices are lower today than they were ten to twelve years ago, that the farmers' costs have risen by about one-third since 1949, and that the price of farm machinery has increased by 60 per cent over the same period. This has brought declining real incomes to farm families over a period when workers in non-

agricultural industry were realizing an improvement of nearly thirty per cent in their real incomes. Economists have observed with admiration, if not always with agreement, the efforts of governments to aid the farm industry. They are very much aware that governments frustrated in direct attacks on the farm problem turn to the consideration of indirect means of aiding agriculture. This committee inquiry represents one such means. It is very proper that the people of Canada through their government be vigilant with respect to insuring that industries, particularly those composed of a small number of firms, operate in the public interest.

The crux of the matter rests in determining precisely what is the public interest, and when, where and how the public interest is transgressed. An Ottawa lawyer, Mr. D. Gordon Blair, states in an article which has attracted widespread attention and approval:

"Under modern conditions, it is plain that competition does not depend for its existence upon a large number of small competing units. The big three in the automobile industry may compete much more vigorously than any number of retail druggists in a community. It is recognized that competition can be expressed in many forms besides simple price rivalry among suppliers of identical commodities. There is the competition of substitutes, the competition of innovation, and the competition of service, all of which have given strength and vigour to our economy, and in all of which price competition finds in part its modern expression."

It should be noted in examining the economics of industrial organization under modern conditions that "the law... does not make mere size of a corporation, however impressive, or the existence of unexerted power on its part, an offense when unaccompanied by unlawful conduct in the exercise of power." Committee members will be aware that this principle, even though enunciated by the United States supreme court, is held applicable in Canada. This position denies the mere size of a corporation, or the small numbers of corporations in a single industry, as bearing on undesirable monopoly power.

If your committee would find the agricultural machinery companies operating contrary to the public interest, it would have to find evidence of conspiracy or collusion between the manufacturers in this field. No evidence has been presented in support of such a view. On the contrary, the courts in the United States, and independent economic analyses such as those presented in the outstanding works by Whitney and by Stocking and Watkins suggest vigorous competition. If one were to examine in detail the history of competition in the production and marketing of tractors which is reported briefly in the statement which I have filed with the committee, one could have no doubt about the existence of active competition, both in terms of product and of price. I come to the conclusion that over a forty year period some five or six tractor manufacturers have virtually staked their corporate existence on the success of originality in innovation and aggressiveness in pricing and marketing. This fact is perhaps best illustrated by the experience of the Ford Motor Company in capturing 80 per cent of the United States tractor market in 1923 and then, because it could not keep up with its competitors, finding it necessary to drop out of the market entirely by 1928. This illustration is not unique. Each of four or five companies has encountered the experience gaining a large share of the tractor market by engineering innovation and by pricing policy and then finding that they could not hold their market position in the face of product and pricing policies of their rivals. I feel that it can be stated that the North American agricultural machinery industry has today changed in no respect in the exercise of the strong competitive elements of innovation and of pricing which existed in the 1920's, 1930's, and 1940's. Without having access to industry secrets, I am certain that each tractor producer is bending

every possible effort in the direction of coming up with a new "break-through" in the sense that the first Fordson, the Farmall, putting tractors on rubber, or the use of the hydraulic principle as developed by Harry Ferguson represented very profitable "break-throughs".

I feel the committee would hear the words of Professor Schumpeter of Harvard University when he stated:

"As soon as we go into details and inquire into the individual items in which progress was most conspicuous, the trail leads not to the doors of those firms that work under conditions of comparatively free competition but precisely to the doors of the large concerns—which, as in the case of agricultural machinery, also account for much of the progress in the competitive sector—and a shocking suspicion dawns upon us that big business may have had more to do with creating that standard of life than with keeping it down."

I bow to the great wisdom of Professor Schumpeter.

I have great regard for Professor Schumpeter and, may I add he was no apologist for big business.

The subject under inquiry by your committee opens up two very broad subject matter areas on which it would perhaps be prudent to carry further inquiry. The first of these is to determine what processes are really occurring during a long inflationary period. The second is to determine how prices are set in industries dominated by a relatively small number of producing units.

On the first of these questions, a committee of the United States Congress conducted a very exhaustive inquiry in recent years. While many witnesses were heard most of the committee activity was devoted to receiving and discussing research reports by leading economists. And while these reports aided committee members in clarifying their thinking on the nature of the inflationary process, there was no agreement for instance on the relative importance of wage-push as against demand-pull forces in the post-war inflationary process.

The second issue is that dealing with the pricing policies or pricing decisions of individual firms in an industry dominated by a relatively small number of firms. Of one thing we can be sure—that individual companies will price their products so as to make the highest level of sustained profits over a period of years. Their decisions with respect to pricing an individual item are apparently guided on the one hand by fairly crude internal cost guides or estimates of an arbitrary type, and on the other hand by the assessment of the market and of the present and prospective pricing policies of rival firms. The latter can only be guessed at. Economists certainly agree that in the pricing of any product, whether it be produced by an industry with thousands of firms or an industry with half a dozen firms, demand is of far greater importance than cost. Given the pattern of incomes at the present time or a projected future pattern of incomes of the users of a product, and you have a good guide to the trend of prices in any industry, including agriculture. This does not mean that in an industry with a small number of suppliers, that these firms can set their prices where they please. They have to take account of competing firms seeking to improve their profit position by appropriate pricing policies. The history of the agricultural machinery industry shows that even in periods when patterns of price leadership may have been apparent, there was vigorous competition both in price and in product innovation. This has been reflected by the erratic fluctuations in the proportion of the market for any implement or for all implements which was secured by each of the full-line companies. It has also been reflected very strongly in the wide sweeps in the proportion of the total agricultural machinery market which went to the many hundreds of smaller producers who did not market a full line. Studies of the industry concluded that the increase in the number

of full-line companies from three to eight has represented an increase in competition. Thus we have evidence of the process of merger increasing rather than decreasing competition in the market.

Dr. Whitby summarizes the profit position of the American farm machinery industry by showing that in the 1947-52 period return on net worth of the large companies was 13.2 per cent, slightly less than the average for more than 1,500 manufacturing concerns; in the 1953-55 period returns on investment in the industry were only slightly more than half those of the preceding period, while for all 1,500 manufacturing companies there was only a very slight decline. Canadian income tax data show the industry made moderate profits in the late 1940's, high profits in the period of the sellers market of the early 1950's. But by 1956 profits almost disappeared and have been at moderate levels since.

Actually the prices of agricultural machinery fall into much the same pattern as those of comparable manufactured items in an inflationary economy and of important factors purchased by the industry for the production of machinery. Thus while farm machinery prices rose by 101 per cent from 1947 to 1960 and by 61 per cent since 1949, rolling mill products rose by 90 per cent since 1947 and 57 per cent since 1949, pig iron prices rose by 88 per cent in the first period and by 40 per cent in the second period. Average hourly earnings in the agricultural machinery industry rose by 121 per cent from 1947 to 1960 and by 81 per cent since 1949. The price of rubber as reported by the Dominion Bureau of Statistics rose by 73 per cent since 1947 and by 74 per cent since 1949.

Since data respecting the capitalization of the agricultural machinery industry are not available it is impossible to analyze satisfactorily productivity of labour or of capital. However, while making this statement it may not be out of place to emphasize the fact that partial productivity measures (those for a single production factor) involve logical inconsistencies. This point is made by Professor Alfred Rees of the University of Chicago in the following terms:

It is now generally well realized that output per man-hour does not necessarily reflect the contribution of production workers to changes in efficiency. It can rise because production workers work harder or are more skilled. However, it can also rise because more capital or more non-production workers are used per production worker. It can rise because of the improved quality of purchased materials or because of an increase in the ratio of purchased materials to final output. And, most likely of all, it can rise because of technological change.

Depending on its source, a gain in output per man-hour may or may not imply that real wages should rise. In general we expect that in the sectors of the economy where output per man-hour rises least rapidly, wages will outstrip this measure of productivity, so that they will stay roughly in line with wages for workers of equal skill elsewhere in the economy. Where output per man-hour rises most rapidly, we expect wages to lag behind it. Some of the productivity gain will go into lower relative prices, and thus be shared with the consumers of the product.

While logical difficulties as well as a lack of the required data present difficulties in constructing particularly useful partial productivity measures, venturesome economists still do it—and the measures may serve some useful purpose. Thus Messrs. Fullerton and Hampstead in a research report for the royal commission on Canada's economic prospects concluded that Canadian productivity per man hour in agricultural machinery on a value added basis in 1953 was some 32 per cent below that of workers in the United States industry. Thus the low Canadian productivity may roughly have offset the fact that hourly earnings in the Canadian industry were lower. (In 1959 the differential in favour of American workers was 27 per cent.) While it has long been recognized that Canadian based plants operate in the face of very

severe transportation disadvantages in serving the prairie provinces and the midwestern area of the United States, Canadian plants appear to have no advantage in terms of labour costs, despite the lower level of wages prevailing in this country. These facts would tend to discourage any optimistic conclusion with respect to the prospects for success of Canadian based companies in increasing their penetration of the American market. And yet this is the great challenge which faces our industry.

Since 1944, when the last Canadian tariffs on farm machinery were removed, the industry has moved in the direction of integration of production facilities to serve the entire North American market. This has not only been advantageous to Canada in the sense of securing exports for Canadian products, but has given farmers access to agricultural machinery on the same terms as apply to American farmers, and has yielded a further advantage in terms of allowing the economies of large scale production of particular machines. A further outgrowth of the removal of the tariff in 1944 was an increase in competition within the industry so far as that bore on serving Canadian farmers.

The statement that I filed with the committee considers the economic position of the Canadian farm industry over the post-war period and the role which agricultural machinery is playing in that industry. It is a common place, of course, that agricultural machinery has been a major factor in the rapid increases in output per man in agriculture—so much so that it has definitely contributed to the surplus of threatened surplus situation in the farm industry. Agriculture has been unable to make sufficient adjustment to its increasing productivity to maintain labour and capital returns anywhere near those which apply in other industries. This situation arises first with the very large number of individual units in agriculture, the importance of self-employed labour, and because of the biological processes employed in farm production, processes which often require years to run their course. Thus it is not possible to render output subject to fluctuations in demand.

Perhaps more important or more significant in accounting for the difficulty in adjusting output to demand in agriculture is the fact of the very slow growth of demand itself. As Professor Schultz has stated, if the demand for farm products grew only half as fast as the demand for all groups, the problem of making an adjustment of output to demand would present no difficulty.

Operating within such a context returns to labour in the farm industry have not only been very low over most of the post-war period but have declined in real terms over the past ten to twelve years. In contrast with the situation prevailing in agriculture most other Canadian industries and the workers in them have been favoured during the inflationary post-war period. Thus the real returns to workers in the non-agricultural industries have increased nearly 30 per cent since 1949.

In the face of such circumstances, and because agriculture was caught up in a burst of productivity (this in the large part associated with the use of agricultural machinery), the farm industry has made very substantial adjustments in factors of production employed and in aggregate output. Since 1941 there has been a decline of 18 per cent in the numbers of farms while total capital has increased by 167 per cent. Machinery investment increased by 267 per cent while investment in livestock increased by 220 per cent and that in land and buildings by 137 per cent. On a per farm basis the increases in capital were substantially greater due to the reduction in numbers of farms. Ontario and the prairie provinces led Canadian regions in adjustment in capital structure followed by British Columbia, Quebec and the maritimes.

While the foregoing very substantial adjustments in capital have been made over a 20 year period, the notable upward trend in real investment in agricultural machinery per acre of improved land and per worker halted about 1954 and has declined slightly since that date. This is apparently identified

with the increased impact of the cost-price squeeze over the years since 1954. A resumption of upward trends in these measures will await an improvement in farm income. Nonetheless the general tenor of farm management reports is that on most commercial farms net returns would be improved by the use of additional machinery.

Economic projections of Canadian agriculture suggest that further painful adjustments in numbers of farms and in numbers of workers in agriculture are required. If these were to proceed at a very rapid rate it would be possible to project a significant improvement in farm incomes over the next decade. However, rapid adjustments for these factors in agriculture requires a buoyant economy. It is further recognized that because of the family nature of the farming business that there are natural barriers or resistances to rapid adjustment. Actually the speed with which adjustments occurred over the past 20 years came as a surprise to most observers. This fact in itself provides some encouragement for the future.

Finally returning to the economics of the agricultural machinery industry, the industry has operated at about one-half of its capacity since 1954. This contrasts with the corresponding United States industry which in recent years has been operating at 80 to 90 per cent of capacity. Judging by these facts one could scarcely conclude that the ideal of a full integration on a continental basis has been achieved. Because of the contribution of a well integrated farm machinery industry to Canadian farmers, it is hoped that the Committee will have something to say with respect to means of strengthening the Canadian sector of the North American industry.

The VICE-CHAIRMAN (*Mr. Smallwood*): Gentlemen, we have heard Dr. MacFarlane's short summary. Before us is a 75-page brief. We are meeting here to look into the cost of farm machinery. This brief is very extensive; it goes away back to the eighteenth century, and looking forward to the jet age. I do not see that it is going to be of much assistance in our present problems, so all I can say is just to throw the meeting open to questions.

Mr. HORNER (*Acadia*): Before the questioning starts, is this brief going to be submitted as an appendix to the proceedings?

The VICE-CHAIRMAN: Certainly.

Mr. HORNER (*Acadia*): So we can ask questions on it.

Mr. McINTOSH: I have been endeavouring to get the government's definition problem is to read a letter I have written to the deputy minister of national revenue, which is concerned with agricultural implements under 438 (f). I revenue, which is concerned with agricultural implements under 438 (f). I will read this. It will possibly give Dr. MacFarlane an outline of what I want. May I have your permission, Mr. Chairman?

The VICE-CHAIRMAN: Fine.

Mr. McINTOSH: I have written to Mr. David Sim, who is deputy minister of national revenue, as follows:

You asked me to put in writing the reasons I challenge your department's ruling that a steel grain, or livestock box used for agricultural purposes should:

- (a) not be classed under 438F, parts of a motor vehicle—but rather
- (b) be classed as an agricultural implement.

Item 438F deals with parts of motor vehicles. I contend that a steel truck, grain or livestock box is not part of what is considered a motor vehicle or the chassis thereof, but rather an article to be mounted or attached thereto. Item 438A states such articles shall be valued separately, and duty assessed under tariff items regularly applicable thereto.

In western Canada, and the same may be said of eastern Canada, automotive dealers very seldom sell a farm truck with steel grain box attached. If the farmer requires a grain box the normal procedure is for the farmer, or dealer, to obtain one from an implement dealer. Grain and livestock truck boxes are usually manufactured by those specialized in manufacturing agricultural implements and not from automotive manufacturers. Most automotive dealers price sheets list chassis only and do not include a price for a grain or livestock box. Therefore, I contend a grain box should not be considered as a part of the truck, but considered under some other heading.

I further contend a steel grain or stock truck box could be included under the heading of agriculture implements for the following reasons. In legal dictionaries, the term implement is defined as a thing of necessary use in any trade. The word necessary is defined as those things to the doing of a thing which are reasonably required.

In Funk and Wagnall's ready reference dictionary, implement is defined—a means or agent for the accomplishment of a purpose. Mr. P. M. Ollivier, chief law clerk of the House of Commons, has given the definition of agricultural implement as follows—anything that is used for agricultural purposes mainly becomes an agricultural implement.

McGoldricks handbook of the Canadian customs tariff and excise duties recognized as an authority or guide by Canadian industry, starting on page 267 has a general heading "agricultural implements" viz: This same heading of implements is carried on for seven pages, listing hundreds of items considered as agricultural implements by legal authorities and industry.

In my opinion a steel grain or livestock box used for agricultural purposes is an agricultural implement. I further suggest, the term agricultural machinery, as it appears in item 409F is superfluous as agricultural machinery is adequately covered by the term agricultural implement.

Nowhere in my search of a definition of the term agricultural implement did I find anything that did not support the authorities. I have quoted, nor did your officials offer any authority to dispute the commonly accepted definition. Surely someone in your department, either yourself as deputy, or the minister, is responsible to give an authoritative definition of the term implement.

I trust you realize my position on this issue, I must give my constituents some authority for the government's interpretation of the term implement, other than an arbitrary statement, to justify the decision you have apparently made in this case.

I would appreciate your personal comments, also the comments of the tariff board on the term agricultural implements.

Now, the answer that I received is very evasive. I think I have not the government's definition of "agricultural implements". I would like the doctor to give his interpretation.

Dr. D. L. MacFARLANE (*Professor of Agricultural Economics, Macdonald College*): Mr. Chairman, I should be glad to make a few comments and remarks on that without, I suspect, being particularly helpful. The definition which most people who are concerned with the economics of this industry use is what is included in the dominion bureau of statistics agricultural implement industry report, and my understanding of that is that it is a very broad definition. I think it may be of some use to the cause which Mr. McIntosh is espousing and with which I am very sympathetic. If you make the distinction between agricultural implements or agricultural machinery on the one hand and equipment on the

other—dairy barn equipment as distinct from agricultural machinery or agricultural implements—I take it that the agricultural machinery industry is concerned with agricultural machinery and equipment used for agricultural purposes on farms. Therefore, I take a very broad definition. I think the Department of National Revenue must be legalistic. They are interpreting a law and I can provide no help on that matter.

Mr. McINTOSH: On page 7 of your brief, Dr. MacFarlane, you say:

Since 1944, when the last Canadian tariffs on farm machinery were removed.

Would you take it that a grain box—and I could name several things not included under this tariff item—anything that is used solely for the purpose of farming, would be farm machinery or farm implements?

Dr. MACFARLANE: I think, if I may say so, Mr. Chairman, that the statement made on page 7 is one of these over-all statements and a little bit loose. We can read in dozens of places that all tariffs on farm machinery were removed in 1944. I agree that this is not 100 per cent true, that some items in my book which are agricultural machinery or equipment are still subject to duty.

Mr. McINTOSH: I would just like to draw it to the attention of the committee that we are looking into the high cost of farm machinery, farm implements or equipment to the farmers, and in this case I have found that for every hundred dollars a farmer pays towards the grain box, \$40 is paid to the government. Maybe we should look into that. In fact, on a \$1,000 grain box—steel grain box as I have described in that letter—almost \$400 is paid to the government on tariffs and sales tax.

Dr. MACFARLANE: I would agree with that, Mr. McIntosh.

Mr. HORNER (*Acadia*): Dr. MacFarlane, you say at the top of page 2 of your main brief:

Governments frustrated by the failure of direct attacks on the farm income problems unavoidably turn to examining the possibility of indirect efforts to improve farm incomes. Thus the House of Commons committee on agriculture and colonization is currently examining the prices of farm machinery.

This implies to me that there is no real cause, in your view, for this inquiry but that because, in your view again, the government is frustrated and maybe some of the members here are frustrated, the government has decided to give them a job to do. Surely, this is the way this paragraph is to be interpreted.

Dr. MACFARLANE: Mr. Horner, if I may say so, this is a general kind of reflection of agrarian history that has prevailed for more than a hundred years. Perhaps I have not chosen well in introducing it, but this is straight agricultural history, and you can pick it up in textbooks on the subject, that in periods when governments are frustrated—and I say I admire this aggressiveness of the government in trying to assist the farm industry—farm incomes have not responded very favourably and we are thrust back onto other measures. I take it that this inquiry was absolutely serious and it was hoped that something would come from it. I would not want to identify myself with the view of the hon. member that this assignment was given to the committee just to give them something to do.

Mr. HORNER (*Acadia*): I am glad I interpreted this paragraph wrongly. It is a long time since I have been to the university and sometimes we farmers like to deal with facts rather than generalities and history. Do you not agree that the price index concerning the numbers of commodities and services used by farmers since 1951 has only gone up 9.5 per cent—and I have the index before me—while the machinery price index which is included in the

over-all goods and services used by farmers has gone up 44.4 per cent? Do you not think this in itself would warrant an investigation as to why one thing has crawled up so much faster than most of the other things farmers buy?

Dr. MACFARLANE: I would agree.

Mr. HORNER (*Acadia*): Another thing I would like to clear up in this particular paragraph. Do you not agree also that farm income and farm prices in the last two or three years saw a small upturn?

Dr. MACFARLANE: I would have to speak to that from the record, and the record is here in my big brief. The record is over the past six years. Income per unpaid family worker in real terms in 1955, \$1,030; 1956, \$1,278; 1957, \$839; 1958, \$1,023; 1959, \$952 and 1960, \$1,175.

Mr. HORNER (*Acadia*): What are those figures you are reading?

Dr. MACFARLANE: On page 57 of the brief those figures are real income or income in terms of 1949 constant dollar per unpaid family worker in agriculture. That is the whole self-employed agricultural labour force.

Mr. HORNER (*Acadia*): When you refer to "real income", are you referring to the net income put out by D.B.S. or the cash income?

Dr. MACFARLANE: Net income as stated at the top of the column, net farm income adjusted so as to give constant purchasing power throughout. In this table the dollar buys the same amount of goods and services purchased by the farm family throughout the years, and therefore it is what we call a measure of real income.

Mr. KORCHINSKI: Have you got any figures for the communist countries? On page 1 you refer to the fact that capitalist economies have not provided "fair shares" to an important capital owing class—the farmer. Have you any figures to compare it with in any other society?

Dr. MACFARLANE: No, I have read figures but I have not got any. I have seen lots of tracts on the economy of the Soviet Union. I am not recommending it. I take farmers to be a most important class of capitalists. In Canada they own \$11 billion worth of farm assets.

Mr. KORCHINSKI: How much do they own in communist countries?

Mr. HORNER (*Acadia*): You are perhaps aware of the index number of farm prices which the D.B.S. put out?

Dr. MACFARLANE: Yes, sir.

Mr. HORNER (*Acadia*): You will more than likely agree that since 1958 this has shown a slight improvement.

Dr. MACFARLANE: Page 57 of my record here, regarding the farm price index, which I have converted to the 1949-equals-100 basis—and your Department of Agriculture economist could check on this—shows no improvement.

Mr. HORNER (*Acadia*): Even looking at your own index, you notice that for 1956, for example, the index was 90 on the 1949 equal to 100 basis. In 1957 it was 92, and in 1958 it was 95. Why you should have the indication "preliminary" in respect of the 1959 figures is beyond me; and I might say it is beyond me why you should have "preliminary" for 1960, also. These figures are all available and why they should not be put in as facts is beyond me. At any rate, it shows a slight improvement from 1956 upwards. I am sure you agree with that?

Dr. MACFARLANE: Yes, I would agree.

Mr. HORNER (*Acadia*): Your first figure was for 1958.

Dr. MACFARLANE: I could not agree with that.

Mr. HORNER (*Acadia*): 1958, sir? Let us look at the 92 and 95.

Dr. MACFARLANE: I am sorry—we will go to the record. Your first question was, has there been some improvement in farm prices since 1958?

Mr. HORNER (*Acadia*): Yes. I meant from 1958—including 1958.

Dr. MACFARLANE: On the question of the word “preliminary”, the prices must necessarily be preliminary until the final Canadian wheat board payments are in. I think the 1959-60 pool and the 1960-61 pool on the Canadian wheat board have not been closed, and you cannot take “preliminary” away from these figures until these pools are closed.

Mr. MUIR (*Lisgar*): They will show an improvement, I think.

Dr. MACFARLANE: They will show an improvement, but I think it will be limited to 1 per cent or $1\frac{1}{2}$ per cent.

Mr. MUIR (*Lisgar*): Relative to 1958?

Dr. MACFARLANE: Yes, this is correct—and I am happy to admit that.

Mr. McINTOSH: I am interested in a paragraph on page 5 of the statement which Dr. MacFarlane has just read. It says:

Dr. Whitney summarizes the profit position of the American farm machinery industry by showing that in the 1947-52 period return on net worth of the large companies was 13.2 per cent,

Further down you refer to “moderate profits” and “high profits”. What do you mean by “net worth”, and was that 13 per cent net or gross?

Dr. MACFARLANE: My understanding is net after taxes and by the term—

Mr. McINTOSH: Do you mean to say they made a net profit of 13.2 per cent?

Dr. MACFARLANE: This is my understanding, based on the net worth or the shareholders' investment in the industry.

Mr. McINTOSH: I think that generally speaking in Canada, of all industry, the net profit of all industry is somewhere around 3 per cent. I forget the name of the blue book which gives it. I think the average is 3 per cent.

Dr. MACFARLANE: I think you would agree, Mr. McIntosh, that that might not be true over the post-war period. After all, people were not investing in corporate securities for a return of 3 per cent over the post-war period. Perhaps in recent years it has fallen—but I do not think it went down to that extent. In fact, dividends in 1960, as I recall, were the highest in history.

Mr. McINTOSH: The point I am trying to get at is the net. I would like to get this clear. I do not think the net profit of any industry has ever, for the last 15 or 20 years, gone into two figures.

Dr. MACFARLANE: I would have to disagree.

Mr. HORNER (*Acadia*): There is a lot of evidence on the record that Massey made 17 per cent in the period 1947 to 1952.

Mr. DANFORTH: Net on total sales. This is a comparison on net worth.

Mr. McINTOSH: Let us get down to the bottom of that paragraph, where you say:

Canadian income tax data show the industry made moderate profits in the late 1940's, high profits in the period of the sellers market of the early 1950's. But by 1956 profits almost disappeared and have been at moderate levels since.

I wonder if you could define your term “moderate profits” percentage-wise to sales, and “high profits” percentage-wise to sales.

Dr. MACFARLANE: Let us start with this last period. The Canadian income tax statistics show profits of something around one-half of one per cent in 1956, as my recollection goes. Shareholders returns since that period have risen,

but have not exceeded 8 per cent—and that to me is moderate. In fact, investors in equity stocks would not invest much money when they got this 5, 6, 7 or 8 per cent that they have received since 1956.

Mr. McINTOSH: We had one witness before us who had capitalized shares of \$15 million, as I understand it, and for one year—I think it was last year—they showed a net payment to the shareholders of \$3½ million, on that \$15 million investment.

Dr. MACFARLANE: This is very possible, because it is one firm; and secondly, because it represents American business, where the industry is having a good deal more prosperity, I judge, than in Canada. I am sure your figures would be on some North American or world basis.

Mr. McINTOSH: If such is the case, would you say that this committee is justified in inquiring into the high cost of machinery? Would you consider that high profit?

Dr. MACFARLANE: I would consider it low in the early post-war period, high in the buyers' market period of the early 1950's, and moderate since 1956.

Mr. HORNER (*Acadia*): This is on Canadian companies only?

Dr. MACFARLANE: Canadian companies only. I went finally to the income tax data and picked this up. This is the Canadian story. The North American story, or the world-wide operations of some of these companies, tells a very different story.

Mr. McINTOSH: In practically all trade there is a laid-down net profit which any industry should be entitled to obtain. What would you say that net profit should be in regard to machinery? Have you any idea?

Dr. MACFARLANE: I do not think, Mr. McIntosh, that I have a particularly useful idea on that. I think that over the post-war years, investors in Canadian equity companies have secured—or the industries have secured—returns net, after taxes, ranging from 8 to 14 per cent—something of that order. If you want to put the farm machine industry alongside it, it would be indicated that there is much greater fluctuation in the returns in the farm machinery industry than in any large group of industries, or any sectors of the Canadian economy like pulp and paper, or industries of that nature.

Mr. McINTOSH: Would you care to give us an average on farm machinery?

Dr. MACFARLANE: May I ask this question—a “proper” average, or the average which has been earned?

Mr. McINTOSH: A moderate average, to use the term you are using.

Dr. MACFARLANE: Since 1956, as I recall, the figures of net return on shareholder equity have been 5, 6, 7 and 8 per cent. This is moderate and is lower than most companies earn on investment.

Mr. DANFORTH: Could you give the committee what you would consider in the post-war period a normal return, that we might use as an index? With your investigation, you must have a picture in your mind. What would you consider in the post-war period an excessive return? What would you consider as a normal return?

Dr. MACFARLANE: I would consider as a normal return something in the order of 8 to 12 per cent, in the post-war period.

Mr. DANFORTH: And in the present time?

Dr. MACFARLANE: Seven to 10 per cent.

Mr. DANFORTH: Thank you.

Mr. MANDZIUK: Mr. Chairman, I believe I voice the feeling of most members of the committee that this brief is probably more academic than briefs we have received here before. I do not see any buck-passing such as we have

seen in other briefs. However, may I refer Dr. MacFarlane to page 2 of his oral statement, where he says:

If your committee would find the agricultural machinery companies operating contrary to the public interest, it would have to find evidence of conspiracy or collusion between the manufacturers in this field.

I would like the professor's opinion as to whether or not he is trying to limit our judgment on implement manufacturers inasmuch as, unless we find collusion and conspiracy, it absolves them of all blame in the high cost of machinery. I see he makes no reference to poor distribution, or certain advantages the implement companies take over their dealers, and so on.

Dr. MacFarlane, you quote American authorities. Is that the only criterion by which to measure the Canadian manufacturer?

Dr. MACFARLANE: No, Mr. Chairman. This is a very good question. I not only quote American authorities, I quote the two outstanding Canadian works, one by Phillips and one by J. D. Woods and Gordon Company, prepared for the royal commission on Canada's economic prospects. The American has been very useful in understanding this industry, however, on its continental basis. With respect to the question you asked—your first one—that I am in effect saying that the farm machinery companies have to be absolved unless you find conspiracy or collusion. I am trying to emphasize here, for the assistance of the committee—

Mr. MANDZIUK: That is what we are looking for, sir.

Dr. MACFARLANE: I am trying to emphasize here that an industry, even with a small number of firms, can be competitive, and I think there has been evidence presented about the competitive character of this industry; and if this competition is operative—and I mean effectively operative—then this is about the most one can expect. I have tried to provide a general economic framework in which to conduct an inquiry. If there are aspects of this industry where the record may not be good—you mentioned distribution—I think it is quite proper that you should examine those aspects, and certainly not absolve the industry in advance.

Within the context of general economics you have to absolve them of wrong-doing unless you find collusion and conspiracy. But you do not necessarily have to absolve them for inefficiency. Competition looks after that it may be that the distribution system is inefficient. I am not saying so. Incidentally, we know little about it, and we do not know much more about it after you have had the dealers before you. Just as much as we require, and find it is useful to have the dominion bureau of statistics report on the agricultural industry, it is also important to have the dominion bureau of statistics work on agricultural implement distribution. They do a census of distribution for many industries and here is one which, because of the interest in it, should be done. That is a recommendation I am making in my report, and I hope it has been helpful.

Mr. MANDZIUK: Am I wrong in getting the impression from this brief that the professor's opinion is that there is active competition both in terms of product and in price? I shall add another matter which the professor can deal with jointly. You say in the second sentence of that paragraph:

No evidence has been presented in support of such a view.

You mean no evidence as to conspiracy and collusion?

Dr. MACFARLANE: That is right.

Mr. MANDZIUK: Have you read the briefs presented to us?

Dr. MACFARLANE: I have read most of them; I think all of them.

Mr. MANDZIUK: And all you were looking for was whether or not there was any evidence of collusion or conspiracy?

Dr. MACFARLANE: Not at all. There are many issues to be dealt with here, some of which are considered briefs which have been presented, which have nothing to do with conspiracy and collusion; and there are many aspects of the industry which may require examination. From my reading of the briefs there has been no demonstration of collusion or conspiracy.

Mr. McINTOSH: Will you define those other aspects?

Dr. MACFARLANE: I take it that those other aspects refer to distribution, the level of labour productivity in the Canadian industry whether or not the statement which was made here by the representative of labour will stand up—you can examine that; and you can examine the integration of the industry after the removal of the tariffs to see whether it has been really advantageous for Canada, as I claim. There are many aspects of this industry which could be examined. You might want to go to the Hamilton and Toronto plants to have a look around, and then go to Chicago, following which you might want to say, "Boys, you should do it differently." There are lots of aspects of this industry that you could properly look into.

Mr. McINTOSH: With a view of cutting down the profits?

Dr. MACFARLANE: With a view of understanding the problems that are under investigation.

Mr. McINTOSH: Would that not conflict with the statement made in your brief where you say that regardless of the 20 per cent lower labour costs in Canada we still cannot compete with the United States?

Dr. MACFARLANE: I think it is very important that this matter be understood. I will say this: that the people who made this study in 1953 for the royal commission on economic prospects are not too confident about their figures. But they were confident enough to publish them. These studies were used for exactly the same period, using the same variables or aggregates in Canada as in the United States, and they came out with very great differentials in productivity.

Mr. McINTOSH: Could you give us some idea where Canadian costs are higher than those of the United States? Our labour costs are 20 per cent lower, so something else must be higher.

Dr. MACFARLANE: Our wages are more than 20 per cent lower, but the output per worker is correspondingly lower, so that Canada—I mean Canadian industry—gets no advantage from paying lower wages.

Mr. MANDZIUK: I am not through. I just have a comment to make on which I would like to hear the witness' comments. We had evidence submitted to us that the number of wage earners has decreased in a certain industry while the number of salaried personnel has increased. We have no access to the figures to show what the salaried employees are earning. Might that not give us some—at least suspicion that the price of farm machinery is just due to the high salaries paid rather than the higher pay to labour?

Dr. MACFARLANE: Mr. Chairman, Mr. Horner indicated that in the dominion bureau of statistics report the earnings of salaried workers—that is in the 1958 report, the last report available—were \$13,205,000. Granted, this figure has increased faster than the earnings of production workers.

Mr. HORNER (*Acadia*): I want to make that clear. I should put on the record that according to the figures from the dominion bureau of statistics from 1947 to 1958, production workers' salaries—the average wage earnings of production workers—increased 113 per cent, while the average wage earnings of the salaried personnel, according to their industry report, increased 119 per cent; that is according to the dominion bureau of statistics.

Mr. HORNER (*Jasper-Edson*): I would like to know if you think that the varied international nature of the farm machinery companies has offset

some of the benefits of low tariffs by their pricing policy? I am particularly interested not so much with respect to the United States but with respect to Great Britain and Canada.

Dr. MACFARLANE: I would like to ask Mr. Horner to restate his question so that I might get on the track.

Mr. HORNER (*Jasper-Edson*): Do you think that the varied international nature of the farm machinery companies has offset some of the benefits of free trade in farm machinery?

Dr. MACFARLANE: I would say, sir, that I have no evidence of this.

Mr. HORNER (*Jasper-Edson*): The price of a particular tractor—I shall use a Massey-Ferguson tractor, type 35, small diesel—the price at which a farmer in Great Britain can buy this tractor is substantially lower than the price at which a farmer in Canada can buy it, even when taking into consideration that there is a differential; in other words, if you should go to England to get one of these tractors and ship it home you would still save money when buying that tractor as compared with buying it from a dealer in Canada. Now, how come? We have free trade with no tariff, yet we are not getting the benefit of the lower production costs as they do in Great Britain because of the international nature of the farm machinery business pricing policy.

Dr. MACFARLANE: I did not know that that statement was made anywhere in the briefs. I take it that Massey-Ferguson submitted this in their brief?

Mr. HORNER (*Jasper-Edson*): Massey-Ferguson did not submit this in their statement, but it is a fact.

Dr. MACFARLANE: Yes. I do not know it to be a fact, although I think there is no barrier to a farmer or a business concern purchasing tractors in the United Kingdom and bringing them over here.

Mr. HORNER (*Jasper-Edson*): No, that is true. The officials of Massey admitted to the committee that people who were starting to do this found that because of certain distribution problems it was not working out too well, according to them, but we do not know that.

Dr. MACFARLANE: This is a good area to inquire into. I confess I do not know the facts. But I would rather bluntly suggest another point, that I would not expect the prices of farm machinery or the prices of any given item to be the same in the two countries, or even to differ only by transportation costs, just because of the nature of the market. These boys are out to get the last dime they can out of the tractor, and if it means selling it at a higher price in one place than another, they will do so.

Mr. HORNER (*Jasper-Edson*): In other words, we are not getting all the benefits of a tariff-free market?

Mr. MANDZIUK: Nor of competition.

Dr. MACFARLANE: I think it is a fair reading, provided the facts in your statement are true, and provided there are no impediments to somebody going and buying this tractor and bringing it over here. International trade is a pretty rough deal, and if there is a dime to be made anywhere, there is somebody out to make it.

Mr. HORNER (*Acadia*): In the first place, to clear up this matter, you have to be a franchised dealer in order to buy this machine from Massey in Great Britain, because they will not sell it to me from the factory. If I want to buy it, I have to buy it through a franchised dealer in Great Britain. I cannot get it at the lowest cost from the factory in Great Britain, or anywhere. They have control over who buys their products in Canada.

Mr. MILLIGAN: Is there not some tariff against machinery coming in from Great Britain?

Dr. MACFARLANE: There is none.

Mr. MILLIGAN: Well, if I buy a steel share for my Ferguson plough, it costs me \$15 to get it from Britain, but it only costs me \$8 to get it in Canada.

Mr. MCINTOSH: It is not an agricultural implement.

The VICE-CHAIRMAN (*Mr. Smallwood*): That is right.

Mr. MUIR (*Lisgar*): Throughout your brief you indicate that labour costs are a considerable factor in the cost of farm machinery, and at page 44 you say:

Increased labour productivity would seem urgently required if the Canadian industry is to maintain and expand its share of the American market for farm machinery.

Do you feel that our unions are destroying Canadian labour productivity by adhering to rigid, outworn union controls which were perhaps necessary in the early struggle of labour, but which are now denying to our Canadian workers one of the basic human freedoms, the right to work?

Dr. MACFARLANE: Over the years it has certainly been necessary for labour to organize, but we now live in what may be called a "labouristic society". I know there are undesirable labour practices, be they in the railways or elsewhere, but I do not think they are any worse in Canada, or as bad as they are in the United States. Therefore you cannot use them to account for the lower productivity of Canadian industry.

Mr. MUIR (*Lisgar*): You would not use labour at all. Are you talking about labour?

Dr. MACFARLANE: I am talking about labour, yes, and referring to the fact that your statement that Canadians may possibly be placed at a disadvantage by labour practices, we are no more at a disadvantage than they are in the United States. I am very sympathetic and have an understanding of the whole struggle that labour has had. I do not want to go on record as opposed to labour or to labour bargaining.

Mr. MUIR (*Lisgar*): May I continue this afternoon?

The VICE-CHAIRMAN (*Mr. Smallwood*): We shall now adjourn until 2.30 in this same room, when Mr. Muir will have the floor.

AFTERNOON SITTING

The VICE-CHAIRMAN (*Mr. Smallwood*): The meeting will now come to order.

Mr. KORCHINSKI: I want to make reference to the proceedings when the Canadian Labour Congress was before the committee, at which time a statement was made which I challenged. I have checked with the dominion bureau of statistics and this is the statement I got from them: it is that this figure in "Agricultural Implements Industry 1952" is the gross earnings of the workers before deductions. Anything paid by the employer as his portion of unemployment insurance and so on, is extra. I was making reference to the \$2.02 average earning per hour per worker, and the fact International Harvester Company apparently was paying about \$2.62, which I thought was about 30 per cent higher than was recorded in the statement wherein reference was made to the dominion bureau of statistics. I was suggesting at that time that the average earnings were higher because of extra fringe benefits. That is all I want to say at this time.

The VICE-CHAIRMAN (*Mr. Smallwood*): Gentlemen, we still do not seem to have a quorum. Oh yes, now I see we have a quorum.

Mr. MUIR (*Lisgar*): Just before we adjourned for lunch I was asking Professor MacFarlane a question with regard to productivity per hour. On page 17 he says:

But the lower wages in Canada are more than offset by lower productivity of workers.

Since the professor has used this statement, which was based on the Hampson and Fullerton submission to the royal commission on Canada's economic prospects, in connection with Canadian secondary manufacturing industry—is that right?

Dr. MACFARLANE: I am sorry that I cannot check that statement at the moment. But you are very likely right, and I shall check and change the transcript.

Mr. MUIR (*Lisgar*): However, in answering this question I felt that Professor MacFarlane had sort of backed away from this statement that Canadian output per man-hour was lower than that of the United States. Unless we can clarify it, I do not think the statement should be placed in his context in your brief.

Dr. MACFARLANE: Mr. Chairman, I would like to answer Mr. Muir in these terms: there are difficulties attached to any attempt to measure productivity as a single factor, and I emphasize this in both statements. I may create the impression that such measures are worthless. What I really intend to do is to provide the committee with an idea respecting the limitations of these measures, that if computed in a certain way it would impute to labour gains which come from mechanization and automation with an industry. That was my major purpose. However, if you took a body of data for Canada and a body of data for the United States, and if you found a differential for the same period, then some validity could be attached to that findings.

Messrs. Hempson and Fullerton have done this, and discussed the limitations which is attached to this. But nonetheless the very fact that they were ready to print this 32 per cent figure suggests that it has some validity. This is parallel to the statement respecting wage differentials, and shows that lower productivity and lower wages go together, so that no one should get the idea that Canada has any great advantage because we pay lower wages in our farm implement industry. That is as far as I want to go.

Mr. MUIR (*Lisgar*): To that extent, then, you would say that there is validity in the statement that the man-hour output is lower in Canada?

Dr. MACFARLANE: I am sure there is something in it, otherwise these very creditable authors would not have ventured to print it. However, they do warn us about these measures.

Mr. MUIR (*Lisgar*): When the Canadian Labour Congress representatives were before us I quoted from the royal commission on Canada's economic prospects, page 239, where they said that Canadian secondary industry's output per man-hour is from 35 per cent to 40 per cent below that of the United States. They repeated this statement out of hand, and said that while it might apply to secondary industry across the border, it certainly did not apply to the farm machinery manufacturing industry. However, when I quoted the 32 per cent which was given for the agricultural implement manufacturing industry, they said—and I believe I am right in this—that they thought that might have been true when the report was written, but that since that time the man-hour output had gone up in Canada. I do not think that was too satisfactory an answer. Would you agree with me in that?

Dr. MACFARLANE: Mr. Muir, I should like to say that I agree with you. I took these figures from Hampson and Fullerton and attempted to bring their body of data, their measure or estimate, up to the 1959-60 level. But I could

not get results. I mean I could not get results I could be satisfied to present to this committee. The results I did get support the position which you have taken, and I do not think that there has been sufficient increase in productivity in this industry since 1953 to lead me to agree their statement. In fact, one has only to look at the rather small capital investments and capital improvements in order to suggest that even these partial labour productivity measures have not increased substantially. I do not think they have.

Mr. MUIR (*Lisgar*): When Mr. Voss of International-Harvester was giving his evidence he told the committee there were certain features of our manufacturing in Canada which were in effect less efficient. He was talking about the capital investment at the time and that on account of that certain features of our manufacturing were in fact less efficient than in the United States. He did not, however, lead us to believe that that was the whole reason why the Canadian farm machinery manufacturing industry was less efficient than in the United States. I believe we have to find something other than the fact of plant efficiency in bringing out the efficiency of the Canadian industry in regard to the United States counterpart.

Dr. MACFARLANE: I do not think I would agree. If you start attributing it to other than circumstances in respect of capital equipment, plant, and so on, you can easily come to a point where you are attributing it to some motives less than worthy on the part of labour, and I do not want to do that.

If I may pick up what I was saying a moment ago about the fact that I am not satisfied there has been this improvement, over recent years, in the Canadian industry, I would cite the fact that the industry is operating at about 50 per cent of capacity, and all these measures must reflect capacity. On the other hand, the United States industry operates at 80 or 90 per cent of capacity.

Mr. CLANCY: Let me interrupt. You were speaking about 80 or 90 per cent. You must come down to figures.

Dr. MACFARLANE: Mr. Chairman, I am saying that in the United States it is 80 or 90 per cent compared with 50 or 60 per cent here.

Mr. CLANCY: I am not prepared to accept any figures until you can prove them.

Dr. MACFARLANE: In this report I cite the D.B.S. figures. They are official, so there can be no question about them.

Mr. CLANCY: Give me the years and the proper reference.

Dr. MACFARLANE: I have it.

Mr. CLANCY: I do not want any more broad statements. This committee is here to work.

Mr. MUIR (*Lisgar*): Mr. Chairman, I would suggest that you allow the professor to give his answer to my question. I have another question which I would like to ask him which will arise out of this.

Dr. MACFARLANE: I would not want to miss replying to this other comment which has been made.

Mr. MUIR (*Lisgar*): You were on percentages. You were taking the United States percentage of 80 or 90 as against that of the Canadian percentage of capacity of 50.

Dr. MACFARLANE: 50 to 60. It runs all the way from 45.6 to 58.9.

Mr. HORNER (*Acadia*): Percentage of what?

Dr. MACFARLANE: Of the base capacity as at 1949.

Mr. HORNER (*Acadia*): You must remember there were more factories operating in Canada in the years 1949-51 than today, so your percentage in that regard is not too accurate.

Mr. CLANCY: May I point out that in 1947 we had just ended a war and had gone into the Korean war, where money meant nothing. If you are going to correlate those years to normal years, which I hope will continue—I am not looking for another war to boost the economy again—how can you justify this comparison?

Dr. MACFARLANE: I feel I can justify it, with the reservations which have been very properly made by Mr. Horner, which I quite accept.

Mr. HORNER (*Acadia*): Thank you.

Dr. MACFARLANE: Nonetheless, when D.B.S. tells me that the output of the industry has dropped from 100 to somewhere around 50 per cent—

Mr. HORNER (*Acadia*): Again, 50 per cent of what?

Dr. MACFARLANE: The physical volume.

Mr. CLANCY: 50 per cent of what—normal years or war years.

Dr. MACFARLANE: 50 per cent of the base output in 1949. We are now running at around 50 per cent of the 1949 output. We have not made many new additions to plants. International has done something, but if you look at the investment figures you will find the industry has not expanded greatly.

Mr. CLANCY: Can the witness tell me what the development was during the Korean war in output due to the war measures rather than straight industrial measures. If you are going to use those emergency figures and attempt to compare them, then I am not sure that it means very much.

Dr. MACFARLANE: It strikes me that 1949 was prior to the Korean period. Incidentally, even during the Korean period the industry dropped its output.

Mr. CLANCY: It took up the slack. In 1949 we were still catching up. The Korean war caught up on it. Now we are not going to have another war.

Dr. MACFARLANE: We have an industry in Canada which over recent years has operated at half of capacity. I could not get my hands on an exactly comparable series of United States output data, so I made my own in a perfectly comprehensible way by taking the figures every year from 1947 and deflating them to give us a figure which, for general purposes, would be comparable to the way the D.B.S. has prepared its figures. This is exactly what D.B.S. has done. It has taken the total output in dollars and deflated it by changes in price and, as a result, you get the index they publish. I did the same thing in connection with the United States, and you come out with figures over recent years which run from 80 to 88, I think. That is what I have done.

Mr. KORCHINSKI: Would you not agree that after the last war there was a sort of crash program, because of the fact that during the war there was no material and one was unable to buy anything? Then, following that, everyone went into the business of purchasing machinery and that sort of thing. In view of that, do you not think that it might not be regarded as a norm in that period?

Mr. CLANCY: How can you equate the end of a national emergency in 1947 and the three years of the Korean war with the normal business in Canada, or anywhere else? I do not care whether it is D.B.S. figures or not. They are under fire, as well, for some of their figures.

Dr. MACFARLANE: Not by me.

Mr. CLANCY: Well, they are, by me.

Dr. MACFARLANE: Yes. Of course, that is your right.

Mr. CLANCY: I am asking you how you equate that type of emergency. Up until 1947 we were under controls; then they were taken off, and we went into the Korean war situation. How are you going to equate that with a normal procedure? That is absolute malarkey.

Dr. MACFARLANE: Let me put it this way: I certainly agree with what Mr. Korchinski has said, that during the postwar years the output of industry was larger, due to satisfying the needs that could not be met during the wartime period. I am not saying that 1949 is a normal year at all. It certainly was influenced very much by those factors. Nonetheless, the industry did produce in 1949 a given output, which is here somewhere, and had a capacity to produce it. The output in 1949 was \$176 million. It had the plant to produce, and it had the plant to produce still more, in my opinion. The industry was not working at more than capacity in these earlier years, and I am saying that now it is working at far less capacity.

Mr. HORNER (*Acadia*): How do you establish the fact that in 1949 it was not operating at full capacity?

Dr. MACFARLANE: This is a belief I have come to, and it is a believe that a lot of economists have come to, whether rightly or wrongly, that in looking at this industry in the postwar years you feel it was operating roughly at capacity during the years of this large output. It is not doing that now. I have not defined capacity and, if you want to criticize me on this, I will accept the criticism. I have been making a general statement that during the good years of the industry it was operating pretty much at capacity, and there were two, and possibly three shifts working at the plant. This is my idea of capacity, and this does not happen any more.

Mr. MUIR (*Lisgar*): If I might, I would like to bring the witness back to my question, which had to do with plant deficiency in the industry, if you want to call it that; and what I am trying to establish between yourself and myself, sir, is, who are we going to pin the blame on for plant deficiency? I think labour has repudiated the figures you used in your brief. Industry, in one case, has suggested that perhaps their plants are not as efficient, and I think you were in the course of answering that question. Perhaps you have forgotten what the question is. If not, would you carry on with that?

Dr. MACFARLANE: I shall try. The studies or analysis would show the output per worker or per man hour in the Canadian industry has, over recent years, run well below the American figures for two reasons: the Canadian industry has not made very substantial additions to plant and equipment, where you get higher productivity, and the other reason is that the Canadian industry has run at a low output, and this, necessarily, because of the way these figures are computed, gives you lower productivity. I do not know that I can expand on these two factors any further.

Mr. MUIR (*Lisgar*): That is fine. I think evidence was given before that as the percentage of volume goes down, the man-hour output also goes down. However, one of the witnesses before the committee attributed this not wholly, but partially to the fact that union regulations impose on the manufacturer the necessity of using labour that is senior in the plant. That is, if they are going to have to shut down part of their manufacturing facility, the first people to go are the people with the lowest seniority, and yet they may be people who are doing an essential job, and are qualified to do it. According to the evidence submitted to us, these people are laid off, and other people with seniority are brought in to do that particular type of job, of which they have little or no experience, and, therefore, in his opinion, and I think rightly so—and I think you would agree with me—the man-hour output naturally goes down.

Dr. MACFARLANE: I would agree with that, I tried to cover that this morning, in a brief and broad statement, that almost in any industry you look into there are practices that appear to be economically indefensible. It is not to be wondered. I do not want to launch out on an attack on labour.

People within the movement have acknowledged some practices that have been carried on have not been in the interest of the economy as a whole, or the interest of the users of the product.

Mr. MUIR (*Lisgar*): Do you feel they are in the interest of labour itself?

Dr. MACFARLANE: I would have to answer: in the interest of what labour? Most of these seniority rules, and such, are only interests of some groups who are very powerful within the labour organization itself, and it may be proper that their rights should be protected. I am not ready to address myself to that one. But, in terms of the total economy, I would judge, no.

Mr. MUIR (*Lisgar*): In other words, perhaps it is better, as seems to be the situation today, to keep fewer men on at higher wages, than a lot of men at lower wages?

Dr. MACFARLANE: Well, I do not know, sir. Decisions on that matter may not rest as much with management as with labour. After all, management sets out the tasks to be done, and it has to recognize certain work rules; but, the scope of management in choosing the task to be done, I suspect, is much greater than the power of organized labour, as such.

Mr. MUIR (*Lisgar*): Then, have you any comments to make on the right under a democratic system, of every human to work? I have asked this question before, but did not receive an answer.

Dr. MACFARLANE: Did you say every union to work?

Mr. MUIR (*Lisgar*): No—every human to work—every citizen.

Dr. MACFARLANE: That is in the bill of rights.

Mr. MUIR (*Lisgar*): Regardless of whether he belongs to a union or not do you agree that a man should be in a union before he has the right to work, or has he the right to work regardless? That is a very simple question, sir, and it only requires a very simple answer. I would like to have your view on it.

Dr. MACFARLANE: Yes, but I would have to deliberate.

Mr. MUIR (*Lisgar*): I think I am entitled to an answer.

Dr. MACFARLANE: On the right to work question, I am afraid we have to accept some restrictions on the right to work because we recognize unions as legal bodies and we give them a good deal of power. Therefore we are necessarily up against defending some restriction on the right to work. At some time I hope we can organize our economy so that there will be work opportunities for everyone and so that the issue of the right to work will disappear.

Mr. MUIR (*Lisgar*): I think the fact that we do not have that right to work imposes a restriction or makes a hurdle over which we have no hope of getting.

Dr. MACFARLANE: This is a hurdle which has been authorized by national and provincial governments, and it is one which I think I would have to defend. I would have to defend some restriction on the right to work because we recognize that unions have certain rights as well as certain responsibilities.

Mr. MUIR (*Lisgar*): You do not think that the right of an individual comes first in a democratic country?

Dr. MACFARLANE: If the right of the individual means that we scrap the labour organizations and deprive the labour organizations of some of the most significant powers they have gained, then I would have to say that the right to work comes second. I am not ready to scrap our whole background in labour history yet.

Mr. MILLIGAN: I think we should turn to the graph on page 44, which explains this whole thing very well. There you have the agricultural output in 1958, and the number of production workers, and the number of salaried work-

ers, and I think it points out very well what Dr. MacFarlane was trying to bring out, namely, that productivity is away down in comparison with the number of workers that the companies had to keep on in order to produce, and also the salaried workers and the office help has remained pretty steady throughout the years. This has brought up labour costs within the different plants. Am I right in thinking that?

Dr. MACFARLANE: You are right.

Mr. FORBES: Mechanization in industry means fewer workers, while a dwindling labour force in agriculture is forcing the farm owner to become mechanized and spend large sums of borrowed capital on equipment. We find a situation in industry where labour saving machines are creating unemployment.

The total man-hours required to produce a refrigerator today, compared with a comparable model in 1952, has been reduced by over 40 per cent.

On the same basis, total man-hours required to produce an electric range decreased by over 25 per cent. And so it goes right on down the line. The opportunity is there for employment, and each worker is producing that much more today under automation.

Dr. MACFARLANE: That is right.

Mr. FORBES: I have one or two other matters to bring up. This morning Mr. Horner referred to the fact that Massey-Ferguson were manufacturing machinery in England. According to a press clipping, this machinery could be imported into Canada at a price lower than we would have to pay for similar machinery here. Now, in the *Hamilton Spectator* of April, 1960, Mr. W. E. Phillips of Massey-Ferguson Limited, had this to say:

It has become quite clear that Canada, as part of North America, is becoming one of the highest production cost areas in the world, and those who intend to survive commercially cannot ignore this ugly truth.

That goes right back to what Mr. Horner said this morning. Is that not due to the cost of labour in this country?

Dr. MACFARLANE: Certainly, among other factors.

Mr. FORBES: This should prove that labour costs are a large item in the manufacture of farm machinery in this country.

Dr. MACFARLANE: I suspect they are anywhere between 65 per cent to 70 per cent if you really went back and got all the components, back to the iron-ore mines. Something of that order, it might even be higher.

Mr. FORBES: I am glad to hear that you agree with us on that subject. Now, on page 2—

Mr. HORNER (*Acadia*): I thought I was to be second, after Mr. Muir.

Mr. FORBES: On page 2 of your statement this morning, you say:

If your committee would find the agricultural machinery companies operating contrary to the public interest, it would have to find evidence of conspiracy or collusion between the manufacturers in this field. No evidence has been presented in support of such a view. On the contrary, the courts in the United States, and independent economic analyses such as those presented in the outstanding works by Whitney and by Stocking and Watkins suggest vigorous competition.

How are we to know that the same conditions do not exist in Canada? In fact, owing to the price we have to pay for machinery, we are convinced that there must be some collusion somewhere. These are things we are trying to find out. Yet you said that these things are not borne out in Canada or the United States. I submit that by these facts they are borne out.

Dr. MACFARLANE: I have reviewed about 60 or 70 years of literature and half a dozen federal trade commission inquiries in the United States, as well

as many court cases, and I summarized the findings in terms that the charges have not—certainly if we go from 1918, when I think International was convicted under the anti-trust laws—but I would say that since that period—and that is why I referred to the 20's the 30's and the 40's. This does not mean that it does not exist. I do not know. I wish I could help you find the means of locating a combine, but I can't. But with respect to Allis-Chalmers you were talking about electrical equipment, while I was talking about agricultural machinery.

Mr. FORBES: Well, electrical equipment is a large item on farm machinery; you have starters, batteries, generators, ignition parts, and so on; it forms a large part in agricultural machinery.

Dr. MACFARLANE: I quite agree. When I prepared this statement I reviewed everything I could find. I did not find that clipping from the *Hamilton Spectator*, otherwise I would have a paragraph put in my statement limiting it somewhat. Your implication was that Allis-Chalmers was doing something illegal, which meant conspiracy or collusion. There have been many inquiries in connection with unfair trade practices which have resulted in not turning up much in the way of evidence; but there has been a good deal of positive evidence about pretty rough competition in this industry.

Mr. FORBES: It was not only Allis-Chalmers, but a number of other companies who were involved in the same thing. Without going into detail it named 12 to 15 companies involved in this collusion.

Dr. MACFARLANE: Yes, that is right, I remember it. I did not realize that Allis-Chalmers was one of the companies in that conviction.

Mr. CLANCY: In your brief you made the statement that the Canadian working man was 50 per cent less efficient than the American. That is something I cannot accept. Perhaps it was 32 per cent less efficient, or whatever it was. Then you said that you did not believe in feather-bedding, with the unions looking after redundant trades. Then you turned around and reversed your position on the right to work. We would like to know just exactly where you stand on the thing. I think your statement about the Canadian working man is wrong. I think he can do anything he wants to do. And I do not think that feather-bedding is too heavy. The unions themselves are tackling the subject. Then you turn around and reverse your position on the right to work, where you say there must be some denial. Your brief is not based on generalities, so you might as well keep on.

Dr. MACFARLANE: Let me say that the figure on the differential in productivity between Canada and the United States is based on one of the royal commission reports. I suggested acceptance of it, although I warned the committee that the authors themselves are not too satisfied with the figures, give or take several percentage points. And I am not surprised that the research shows lower productivity for Canadian industry. Now, with regard to the other question, I think I can clarify it for you.

Mr. CLANCY: When I use the term feather-bedding, I mean the retention by unions in negotiations of redundant trades, which we know has gone on. We know, too, that unions today are moving forward to do away with that type of negotiating.

Dr. MACFARLANE: The unions are forced to give up redundant trades because of changing techniques and changing productive processes, and changes in the whole definition of jobs, which occur from year to year. In this case I do not worry about what was called feather-bedding. I think it was a railway term. There are not "a second fireman" on machines at International.

Mr. CLANCY: It was you who made the statement, not I.

Dr. MACFARLANE: I am not concerned. I think there is progress in most industry. Where you give a labour union high legal rights or power, they tend to go towards practices which may not be in the general interest.

Mr. CLANCY: In other words, towards more redundancy of trades in a job. Do you not agree with me that unions are moving forward now, and gradually getting out of that type of thing?

Dr. MACFARLANE: Surely they are; and I do not like that word "redundant".

Mr. CLANCY: There are redundant trades. After all, if you work in a certain plant and you see that a certain trade is disappearing, you are not going to be paid to sit around for eight hours a day and do nothing.

Dr. MACFARLANE: The workers are not doing that. They are being trained for another job. I like the illustration given by Mr. Muir much better. He referred to seniority rights. I do not want to deprive people of seniority rights, even though it may not be in the interest of the buyer of farm machinery.

Mr. CLANCY: My last question is on this right to work. You qualified your answer on the right to work and you said that there has to be different categories. Why?

Dr. MACFARLANE: Because the people of this great country have ordained labour legislation which gives unions rights, and protects their right to restrict the right to work.

Mr. CLANCY: In other words, you agree that the labour union decides who works in Canada, and not the people?

Dr. MACFARLANE: The labour union has a certain power over who has the right to work in a given situation.

Mr. CLANCY: And there is no appeal from the decision of the labour union?

Dr. MACFARLANE: There may be an appeal to the courts.

Mr. CLANCY: There is no appeal to the courts. You know that.

Dr. MACFARLANE: I do not know it.

Mr. CLANCY: Let us put it into the courts and let them appeal.

Dr. MACFARLANE: That is fine. I agree that the courts should deal with it.

Mr. HORNER (*Acadia*): My question is along a somewhat different line. Dr. MacFarlane made reference to free trade and the removal of tariffs; and in the last sentence of the statement he gave us this morning he wonders if the committee will have something to say with respect to means of strengthening the Canadian sector of the North American industry. I find this whole subject quite interesting. My first question is this: before world war II, Canada exported farm implements to Australia, New Zealand, the Argentine, the United Kingdom, and South Africa. On the other hand—and please correct me if I am wrong—today our exports are going to the United States, and that is it. Why, in your view, do you think this has come about?

Dr. MACFARLANE: Mr. Chairman, I would answer Mr. Horner in the terms of the statement that Canada lost her export market overseas very largely during the period of dollar shortage when the British had to devalue; and there was a period of nine or ten years when dollars were not available for purchase, when the United Kingdom and other countries in the sterling area would not provide dollars for the purchase of these products. The market went then. It was not picked up when the dollar shortage was alleviated, for the reason that some of these companies moved some of their operations to the sterling area to the United Kingdom and to South Africa, and there has been a great expansion of production in those countries. I think that this, more than anything else, means that our exports have been diverted from the sterling areas around the world in general, and from the European continent to the United States.

Mr. HORNER (*Acadia*): Do you know of anything that exists? As the John Deere Company suggests, Argentina has now imposed some sort of control whereby if you want to import any machinery into Argentina, the whole product cannot go in. It must be assembled or partly manufactured in that country. This would be in some respects trade restriction. Do you know of any other country where this situation exists today, I mean a country where Canada used to trade?

Dr. MACFARLANE: Frankly, I do not know. I think that Australia did this with regard to their motor-car industry, but I am not positive.

Mr. HORNER (*Acadia*): I am talking about the farm implement industry, mainly, because that is what we are concerned with in Canada, but you do not know of any other country, and you do not think there are any others?

Dr. MACFARLANE: I do not know of any others.

Mr. HORNER (*Acadia*): Is it not true—and you deal with this in your main brief—that the tractor is the main component used on farms in Canada and on the North American continent today? I think that Massey-Ferguson said that their production was 45 per cent tractors.

Dr. MACFARLANE: About half the sales are for tractors.

Mr. HORNER (*Acadia*): Is it not true, also, that about 1917 the duty was removed from tractors coming into Canada valued at less than \$1400?

Dr. MACFARLANE: That is right.

Mr. HORNER (*Acadia*): And right about then, or at the same time, Henry Ford captured 80 per cent of the market with a tractor selling for less than \$1,000? Do you agree?

Dr. MACFARLANE: I would have to.

Mr. HORNER (*Acadia*): So this trend of Canada to import tractors and perhaps export other implements started quite a long while ago, and it has perhaps become intensified because of the greater mechanization of farms today?

Dr. MACFARLANE: I agree.

Mr. HORNER (*Acadia*): And, in fact, in 1935, the duty was removed from tractors?

Dr. MACFARLANE: That is correct.

Mr. HORNER (*Acadia*): The thing which amazes me—and I see from the book which you suggested we all read—I mean the book that was written by Mr. Phillips on the agricultural industry in Canada—I think we must bear in mind that in 1937, Cockshutt, it is recorded, met with difficulty in breaking into the American market; and in another brief which was also submitted to this committee, they again re-emphasized the difficulty in breaking into the United States market, because the farmers in that country prefer United States made products. This is what Cockshutt suggest. I have no knowledge of this. In reading from this book by Phillips at page 161 I see there is a statement on which I am wondering if you have any comment:

Americans are permitted to reap the benefits of government-guaranteed credit arrangements in Canada under the Farm Improvement Loans Act, but Canadians selling in the United States are deprived of this advantage.

What is he getting at? Are Canadian manufacturing companies not permitted every advantage that an American manufacturing company is in the United States?

Dr. MACFARLANE: I do not know what Mr. Phillips was getting at. I cannot imagine that under the American farm credit schemes that dealers

who are selling Canadian made machinery would have any barrier imposed on them. I do not know of any, so I cannot tell you what he is getting at in that quotation. I recall being worried about it when I first read it, but I have never cleared it up.

Mr. HORNER (*Acadia*): This is quite an important thing, when we consider we have companies such as Massey-Ferguson and International. Cockshutt, however, has not been as fortunate. They still claim they are having some difficulty in getting into that market. This is quite an important statement to the effect that Canadians selling in the United States are deprived of this advantage. I think that someone, either D.B.S., someone submitting a further brief, or even myself, should look into this and endeavour to find out what he means by that particular phrase.

I have one further question along this same line of production and volume of production. You have emphasized that the volume of production in Canadian plants is going down. I am not going to question your figures, although I believe you omitted some of the important factors. Do you not think, however, that world volume has perhaps increased to quite an extent? Massey-Ferguson, for instance, has a manufacturing company in Great Britain, International has built a plant in Scotland, and John Deere is manufacturing in two plants in Germany. Do you not think these companies, to some extent, are taking advantage of the cheaper costs over there?

Dr. MACFARLANE: I think that would be right. That would be one incentive which led them to expand production in the United Kingdom, on the European continent, and elsewhere. I attach some importance, however, to the fact that this was done in a period when there was a dollar shortage.

Mr. HORNER (*Acadia*): Has International not just recently built this plant in Scotland?

Dr. MACFARLANE: I think this is true.

Mr. HORNER (*Acadia*): As I understand it, the dollar shortage has gone.

Dr. MACFARLANE: Yes.

Mr. HORNER (*Acadia*): Then this would not be true in respect of International. I might point out that two years ago, I think, Massey bought Standard Tractors in Great Britain since the dollar shortage. Did North American farmers not actually provide the profits for these companies to establish these plants in the other countries and enable them to take advantage of lower production costs? The question I would ask is: are we in Canada and the United States reaping the benefit of these lower production costs? Do you have any knowledge of that?

Dr. MACFARLANE: No; I have no direct knowledge of that.

Mr. HORNER (*Acadia*): Last year we imported roughly 7,000 tractors into Canada from countries other than the United States; 6,426 from Great Britain alone which came in valued at \$1,525. I would readily agree that most tractors coming in from Great Britain would range in perhaps what would be classed as four-plow and down. However, we imported 21,851 tractors from the United States. I will readily agree that they would more than likely be the larger tractors, but not all of them, because Minneapolis, Case and Oliver all manufacture small tractors in the United States and bring them into Canada. After figuring out the average value it came to \$3,323. In purchasing tractors in Canada the farmers do not notice this difference. From these figures I suggest that the farmers in Canada and on the North American continent are not reaping the benefit of the lower production costs which the companies have developed in other countries because they were able to use the profits they made when selling machinery to us during the early 1950's and late 1940's. Have you any comment on that?

Dr. MACFARLANE: Essentially you are saying that the tractor imports from the United Kingdom are in the lower horsepower models. I would quite agree to that. In addition you have said that those from the United States are the larger tractors. With regard to the suggestion you leave, to the effect that we are not getting the benefit, I would have to have more information on the mark-ups which apply to tractor imports from the United Kingdom.

Mr. HORNER (*Acadia*): I have just taken the figures and my arithmetic shows that \$1,525 is the average price in respect of the United Kingdom and \$3,223 in respect of the United States.

Dr. MACFARLANE: I suspect these imported tractors from the United Kingdom are being sold for as much as the companies can get. If this leaves the Canadian farmer at some disadvantage, I expect that would be it.

Mr. HORNER (*Acadia*): This is the point I wanted to hear. In other words, we farmers in western Canada are charged all that the company thinks the market will bear.

Dr. MACFARLANE: I have said that three or four times.

Mr. HORNER (*Acadia*): I realize you have.

Mr. DANFORTH: Would you omit the word "western" and say "we farmers".

Mr. HORNER (*Acadia*): Yes. We farmers in Canada are charged all the market will bear. You agree with that. Actually we are reaping no benefit today from having free trade established, because we are not getting the advantages we thought we would out of it. I would not say wholly, but rather to some extent. I am free trader; do not ever doubt that. However, I do want the committee to investigate this possibility.

Mr. MILLIGAN: I do not quite agree with Mr. Horner's suggestion. Why would we be selling so many Fiat tractors brought in from Italy? I was speaking to a dealer who told me that his main sales have been in these tractors.

Mr. HORNER (*Acadia*): There were 470 tractors imported from Italy last year compared to 29,000.

The point I have been making is that the major farm machinery companies are making these tractors in Great Britain for less and are not selling them for less in Canada.

Mr. KORCHINSKI: On the first page of your statement you say "it is a blunt fact that capitalist economies have not provided fair shares to an important capital owing class—the farmer". In other words, if you give the farmer a greater return he would just charge more. Is that a fair assumption?

Dr. MACFARLANE: Let me attempt to clarify this. It has been stated that we can buy the British Ford tractor for \$1,000 less than a model made in Canada or in the United States. This is what I call competition. It looks as if Ford is on the way to going back to 80 per cent of the market again. So long as there is no restraint on Ford, then the farmer will get the benefit of the competitive situation. If the \$1,000 figure prevails, it will be a very strong force in bringing the American made tractors down into line. This is what I mean by competitive industry.

Mr. HORNER (*Acadia*): I think we agree that it is a competitive industry. The point is, however, that the North American farmers supplied the profit for Massey-Ferguson to buy and build into two manufacturing plants in the United Kingdom. We also supplied the profit for John Deere to build two manufacturing plants in Germany, supplied the profit for the plan built in France and in Italy, and for International to build in Scotland, and yet we are not reaping the benefit of this.

Mr. SOUTHAM: Mr. Chairman, I am sorry I was absent from the committee this afternoon for an hour or so. I had to be in the house at that time. In respect

of the question concerning the difference in productivity between labour in Canada and the United States, I am wondering whether or not the question has been brought up as to the relative population distribution in the North American continent whether or not this has had any effect on it. There were statistics given here to the effect that there is 25 or 30 per cent less productivity in Canada than in the comparable labour force in the United States. Has the population distribution any effect on this?

Dr. MACFARLANE: In answer to that question I would say that certainly the size of the market has a very large bearing on it. It may be one of the most important factors in the general statement made by Mr. Muir the other day to the effect that there is roughly 35 per cent less productivity in Canada in secondary industry. I think the size of the market is a major factor in the farm machinery industry. I suspect that farmers are getting the benefits of American productivity and that Canadian industry has to live up to it. I think in this sense the farmer is in an advantageous position in buying goods in such a market.

Mr. SOUTHAM: I am wondering if we are over-industrialized on the North American continent now in respect of farm machinery. If so, this would help to keep the cost of the products up.

Dr. MACFARLANE: I think this opens a very important area of the problem and one which is risky for me to get into, because I am not an industrial engineer. My suspicion would be that without saying the Canadian industry is over or under capitalized, I would say that it has not made enough investment in capital that have given it more productivity. Certainly it looks as if any industry that operates at half capacity is over capitalized. I would make the modest suggestion that we should find means of getting new investment in the Canadian industry in those areas in which we can and do specialize, in such things as hay balers and combines. If something could be done to enlarge the investment in Canadian plants with a view to greater efficiency, it would increase their ability to penetrate the United States market. Mr. Horner said that we produced the same products in Canada as in the United States. I do not think this is true. We produce combines and hay balers in Canada and tractors in the United States.

Mr. HORNER (*Acadia*): In some companies. The three big companies in North America are John Deere which produces all its combines in the United States, International which produces a lot of combines in the United States, and then J. I. Case is the third ranking one in the United States. They make all their own combines down there, too. I think it has to be looked at in this way.

Dr. MACFARLANE: I would accept this, and I would hope the committee might have someone work on the problem of whether it is possible to get a greater production of farm machinery in Canada. I think International is working in this way, in its Hamilton operation. A larger proportion of their output is being exported year-by-year, due to specialization in specific types of equipment in Hamilton, which they can ship to the United States market.

When I talk about increased productivity in this industry, I mean pursuing every possible opportunity to get this specialization which would give us, in Canada, the major production of some machines. I do not know whether or not John Deere is working in this direction, but I think they said that there is a substantial part of their Canadian production exported. Perhaps I have been over-intrigued with the continental industry.

Mr. HORNER (*Acadia*): I think one must consider this on a worldwide industry basis, now.

Dr. MACFARLANE: I would agree with you. This is something which intrigues me, and I think we should pursue it further. I hope the Canadian industry is sufficiently efficient to penetrate United States markets more than we have in the past. This is our only hope.

Mr. SOUTHAM: I was quite concerned with this statement in your summation, when you said the industry has operated at about one-half of its capacity since 1954. I think that gives room for thought.

Mr. HORNER (*Acadia*): I would like to put this statement on the record. In connection with this half-production, in 1949 there were over 17,000 employees while, in 1958, there were only 11,000. Then, in 1949, there were some 80 manufacturing plants in Canada, while today there are only about 70. My purpose in mentioning this is that I think you must consider this in its true perspective. You would not expect 11,000 workers today to put out what 17,000 put out in 1949.

Dr. MACFARLANE: I agree.

Mr. HORNER (*Acadia*): I think this is being over-emphasized.

The VICE-CHAIRMAN (*Mr. Smallwood*): Have you some questions, Mr. Pascoe?

Mr. PASCOE: Mr. Chairman, I indicated this morning that I wanted to ask some questions along the line of factory worker productivity, and I believe, since then, the members have exhausted that subject. However, I have one direct question.

I quote from page 17 of the brief:

They conclude that in agricultural implements, despite the downward trend in Canadian productivity in recent years, productivity per man hour on a value-added basis is shown as some 32 per cent below the United States...

That is a quotation which is not your own. You have taken it from another book. I would like to ask if you have anything in your brief that bears this out, or are you taking it as a direct statement from another book?

Dr. MACFARLANE: I have taken it as a direct statement from a very excellent source. This is from one of the volumes in the Gordon commission series, and they had to work in one of the most difficult areas. I give these people full marks for what they have done. This is more because of the backwardness—this is not the right word to use; we do not have the industrial statistics required to do as good a job as we would like to. Give us the statistics, and the economists will be able to do a better job on refining this. However, I accept this as a general picture of the situation which prevails.

Mr. PASCOE: There are no remarks in your own brief to bear this out.

Dr. MACFARLANE: That is right.

The VICE-CHAIRMAN (*Mr. Smallwood*): Have you some questions, Mr. Danforth?

Mr. DANFORTH: Yes, Mr. Chairman. I have some questions I would like to direct to the witness. However, first I would like to go on record in commending the witness for this very excellent presentation. I feel that if farmers have an opportunity to read this, they will be far better informed as to the problems they are facing in regard to the pricing of farm machinery.

My questions are merely for my own information, further to the information you have given here in the brief.

The first one concerns page 24, in connection with the market variables which influence the price of farm machinery. You include the price of steel in here, and you say that the outlay of steel is one of the major costs of producing farm machinery. Now, it is quite apparent that you have gone into

this very thoroughly, and I was wondering what percentage—using any machine you would care to use as an example—you would say that the increase in price should be in any one year, normally, due to the increase in the price of steel? I ask this because I know of an instance when steel went up \$1.50 per ton and, at the same time, the price of a self-propelled combine went up \$450. At that time, they told me the increase was due to the increase in the price of steel. I am not familiar enough with all the ramifications to know just what an increase in the price of \$1.50 a ton should mean to the increase in the price of a piece of machinery. However, I do know that many farmers question the fact that an increase of \$1.50 per ton means an increase of \$450 on a self-propelling combine.

Dr. MACFARLANE: I think they would be right in questioning it.

Mr. DANFORTH: Then, could I have your opinion as to how much the increase in the price of steel would directly affect the increase in the price of an implement.

Dr. MACFARLANE: The price of steel has gone up, roughly, in the same terms as the price of agricultural machinery, and that was shown in a supplementary statement that was distributed to you this morning.

Mr. DANFORTH: Yes, I have it.

Dr. MACFARLANE: So, you have a whole complex of costs entering, and I have listed some of them here, with steel going up a little less than farm machinery prices, and labour going up a good deal more, and rubber going up a little more. Pig-iron, to the extent it is used, is less, and so on. You have asked a very difficult question.

Mr. DANFORTH: Your data, which is very complete, sir, gives the end result.

Dr. MACFARLANE: Yes.

Mr. DANFORTH: My question is based on the fact that a farmer has said the price of farm machinery goes up in any one year by 10 per cent, because of the increase in the price of steel. Now, we know that steel does not go up to that degree in any one year, and I am wondering what, in your estimation, would be a normal increase in the price of farm machinery as compared to an increase in the price of steel.

Dr. MACFARLANE: Well, I can answer, perhaps not too helpfully, by—

Mr. DANFORTH: Would you feel, knowing the gradual increase in the price of steel, that a company would be justified in putting the price of a self-propelled combine up 10 per cent due to an increase in steel?

Dr. MACFARLANE: I would have grave doubts. I think steel accounts for something in the order of 20 or 25 per cent of the factory value of shipments from the agricultural machinery industry.

I do not like the idea of identifying price increases with costs, in any event, because I take the position these companies will go out and get every penny they can get. They will judge by the market more than by the costs. I do not agree when someone says that the price of automobiles go up because of the price of steel. Certainly, costs must be taken into consideration, but the cost of automobiles going up is due to the fact that it is profitable for the companies to put them up. I think the demand for the product is much more important than the cost, even to the point of saying that you will be getting misleading results if you try to relate back to costs on these things. I think there is this complex of costs on the one hand, and of demand on the other, and of these two, demand is far more important.

Mr. DANFORTH: Then, supplementary: Would you agree with the statement made here by more than one witness—taking any basic machine as an

example—that a knowledge of the cost of labour for a machine and the material involved in the machine would not have too much bearing on the end result, the price to the farmer, and that that information would be of very little value to this committee?

Dr. MACFARLANE: I take that point of view, sir.

Mr. DANFORTH: Because of the fact there are so many other factors contributing to the cost of the machine?

Dr. MACFARLANE: Yes. I was making my general statement in terms of the whole industry, and it is even more true if you get down to the individual implement.

Mr. DANFORTH: Then you would agree with the statement of these witnesses that any specific details, to that degree, would help us very little in determining the price of the finished implement?

Dr. MACFARLANE: I agree.

Mr. DANFORTH: Then, there is another point which I would like expanded further, for my own personal satisfaction, and it deals with competition and merger. I thought that if the shares of the market fell into fewer hands, they would have more of a chance to control the market. You speak of competition through merger, and my question is directly because of the fact you state that in 1922 there were three major companies handling different classes of farm machinery, and now there are eight. I would think the fact that there are eight now would mean it was very profitable and that the other five machinery companies have gone into it to take advantage of it. Yet, your premise is that through merger and less outlets, there is a greater competition. Would you clarify that?

Dr. MACFARLANE: Yes, I will expand on this. The possibility of competition, through merger, is suggested by the fact that when you are selling to farmers, if you are selling on the basis of a full line, you have a very strong advantage, and, therefore, with additional full line companies there is greater competition. When you had three full-line companies, the market was dominated by them and the competition, so far as full lines was concerned, was between the three. These full-line companies had a real advantage, because of their full lines, and if you can expand that competition from three to eight, by getting additional full-line firms, you have increased competition in the industry. I put this in here—and I was amused by it—since it is general to identify a lack of competition with mergers. But mergers in this case resulted in more full-line companies, competition increased.

Mr. DANFORTH: Am I to understand that my interpretation of merger was incorrect? My idea of merger is that two full-line companies, (a) full-line company and (b) full-line company merged, whereas your idea is a merger of a number of companies, partially producing, in order that a full-line company would be the end result.

Dr. MACFARLANE: This is my interpretation, and I think the history of the industry would bear it out.

The mergers we are referring to, when we move from three to eight, were mergers of partial line companies into full-line companies, and not mergers of full-line companies at all.

Mr. DANFORTH: I have another question—and I am just going through your brief here and there. Another thing which interests me is where you say that it is not generally conceded now that patents are a restrictive device for a monopolistic control, and you state, in your findings, that no more than two or three per cent are protected by patents or royalty, and your premise is based upon that. The only reason I question this is the fact that I firmly believe that the control of these two or three per cent may have a definite

bearing on monopolistic control, and I use as an example, this suit between Ferguson and Ford over the three-point hitch. Would a patent such as that not have a very definite bearing on price-fixing and control of the market?

Dr. MACFARLANE: I agree. The reason I put this statement in was that I was as much surprised as you were that while there may be some very important things in this two or three per cent which may still be protected by patents, the fact that the industry is as free of effective patents was a very striking thing to me. I thought before I got into this show that patents were very important, and yet here is International, which has the most of any in the world, and they have released about 95, or possibly 98 per cent of them. I was surprised to find this, and I thought that your committee, and those who read these proceedings, would be interested in this fact.

Mr. DANFORTH: I have one other general question, and then I will pass, for the time being. This is a question in which we all have been interested. As a result of your investigation—and it has been quite thorough—I would like to ask, sir, if in your own personal mind, you feel that there is any possibility of a combination between major companies for price-fixing? I am asking only for a general statement. Do you feel that such a combination could exist?

Dr. MACFARLANE: I feel that such a combination could exist, and I feel much more strongly that no such combination does exist. I judge the firms in this industry, so far as pricing is concerned, that they are set not only at arm's length, but much further, that there is no suggestion of it. I know you brought up the question, or someone else did, in connection with Allis-Chalmers. I did not like what I heard, and I do not want to absolve anyone. However, I have talked to people in the farm equipment institute, as well as industrial people. Also, I have made my own observations, especially observations on what happened with shares of markets and so on, and there is no reason for me to believe that any combination has existed because, where these combinations have existed, you can trace some pattern in pricing, or shares of the market, or in some other way which you cannot pin down in this industry:

Mr. DANFORTH: Could I say, then, that on the basis of your extensive investigation, such a combination is possible, but not probable?

Dr. MACFARLANE: Such a combination is possible and highly improbable.

Mr. FORBES: Then, is it your opinion that it would cost Massey-Ferguson almost an identical amount to manufacture a combine, as it would cost Cockshutt?

Dr. MACFARLANE: No.

Mr. FORBES: Then why is there not a differential in the price?

Dr. MACFARLANE: Because it is determined by the market, and not by costs.

Mr. FORBES: In other words, you believe the companies will charge all the farmers will pay?

Dr. MACFARLANE: I have said that sixteen times already. This is my contention. They charge what the traffic will bear.

Mr. PASCOE: Dr. MacFarlane has been talking about competition between companies. Would you express your views on the suggestion of nationalizing these companies?

Dr. MACFARLANE: I suspect that with nationalization, you would lose some of the dynamic inventive and innovational qualities the industry has had, although I am not totally opposed to it. I reserve nationalization for industry where collusion and conspiracy has been proven, and where it is clear the

national interest has not been served. Then, I say, "All right, let us nationalize." However, up until that time, I am all for as much competition as you can get.

Mr. HORNER (*Acadia*): I have a supplementary on this. Do you feel that the farm machinery industry should be no more nationalized than the grain storage industry in western Canada? The government there pays grain storage to large elevator companies, whereas, if it nationalized this, that money could be saved.

Dr. MACFARLANE: There is less reason for nationalizing the farm machinery and equipment industry than there is for nationalizing grain storage, for the simple reason you have already set the price for grain storage, and nationalization is only one step further in that same pattern.

Mr. MCINTOSH: You made a remark in connection with nationalization; would you say the same thing about standardization?

Dr. MACFARLANE: You will observe I have stayed away from things I know nothing about, and one is engineering. I get the impression that standardization is proceeding, but I think it is proceeding too slowly. I realize what the machine companies have told you, that to standardize is to put some brake or impediment in the way of innovation, but I wish the industry itself would move faster towards standardization, and I hope we shall see that. I hope they do that outside of pressure or threat of nationalization, or even government pressure. They have already made significant improvements in this area.

Mr. MCINTOSH: You feel it is desirable?

Dr. MACFARLANE: Yes.

Mr. MILLIGAN: I certainly appreciate this brief because I feel Doctor MacFarlane, in preparing it, has given us more factual information on the economic position of the industry, and of agriculture, than we have had in any other brief. In fact, I would like to say this brief could be of great help to members of the committee in preparing our report.

Now, Doctor MacFarlane, I noticed you were present during some of our previous hearings, and I would like to know if your brief has been prepared from information you received from listening to the briefs submitted by the machine companies and labour organizations?

Dr. MACFARLANE: In answer to Mr. Milligan I would say this work started last December and was pretty well along before these hearings commenced. Nonetheless, my work has definitely been affected by what I heard and read in the other briefs.

Mr. MILLIGAN: On page 50 you have a chart showing profits before taxes, and as I see it you have secondary industries with much greater profits than the agricultural industry. Do you feel that, in general, the profits of the agricultural industry have not been as great as other secondary industries?

Dr. MACFARLANE: Yes. I think in the data presented with respect to the United States sector this would be true, and I believe if we pursued further the data available through Canadian income tax you would also find the same to be true particularly—but let us stop at that. I think this would be true.

Mr. MILLIGAN: I feel our questioning has been very broad, and we are missing an opportunity to get some first hand information from an independent source which has given a great deal of study both to the agricultural position and to the position of industry. Would I be right in assuming that throughout your brief you indicate the problem we are facing today is more the economic position of agriculture, and we might have to bring the whole problem of agriculture and the economic position of agriculture up in line rather than attempt to bring the prices of farm machinery down, so that farmers will be in a better position to pay the prices for farm machinery?

Dr. MACFARLANE: I feel very strongly in agreement with the position you state, and at the same time I recognize the real difficulty about doing anything very substantial on the farm income problem. I make reference to it in both statements, and I say if you are going to leave it in a kind of free economy context then we have to get very substantial adjustments of people leaving agriculture, of reduction in the number of farms, and the increased capitalization of farms. If you can get these fast enough you would have a pick-up in farm income. At the same time I admire the steps the government has taken, and its concern about the position about agriculture. Perhaps you are not asking me this, but my personal view is that still more aggressive action can be taken on the income problem. I should not have said that, because I really do not want to be examined on it as, if I were, we would probably be here until midnight.

Mr. FORBES: If the government were to increase farm income, according to your brief the machine companies would continue to increase their prices and the farmers would gain nothing at all.

Dr. MACFARLANE: The machine companies might increase their prices. They would find the market much more profitable if farm incomes went up, but I have a strong feeling that not all the farm income increases would go into increased farm machinery costs. In fact I hope we get a situation in agriculture where agriculture will move up rather faster than the rest of the economy.

Mr. HORNER (*Acadia*): I have just one brief supplementary question to that. You agree that farm income must also increase in the United States in order to improve the agricultural implement industry?

Dr. MACFARLANE: Well, Mr. Horner, I have said the American sector of the industry is not too badly off, though profit-wise it is not so well off. Its output, however, is much higher in terms of its capacity, but I do not want to get on to paying my respects to farm income support programs in the United States.

Mr. HORNER (*Acadia*): The farm implement industry is a North American industry and, in fact, is a world-wide industry. We can no longer look upon it as purely Canadian, and from a purely Canadian viewpoint. Therefore, the position of farmers all over the world would have to be improved tremendously in order to improve the farm implement industry. Is that a proper assumption?

Dr. MACFARLANE: Yes, that is a proper assumption.

Mr. HORNER (*Acadia*): A thought has just crossed my mind which I should like to clarify before proceeding. Would this be a fair question, Doctor MacFarlane? Are you the same person who appeared as chairman of the agricultural seminar at the Liberal convention?

Dr. MACFARLANE: No. I think the name is wrong. I was invited to the Queens meetings which were, I think, sponsored by the Liberal party. I am not sure about that, but I did appear there.

Mr. HORNER (*Acadia*): Were you chairman?

Dr. MACFARLANE: No.

Mr. HORNER (*Acadia*): We have had coloured briefs before, and I wanted this put in proper perspective.

Dr. MACFARLANE: There is no political colour in this.

Mr. HORNER (*Acadia*): When discussing cost components, the John Deere company made the statement that the greatest price increase appears to be in those products which have a relatively greater amount of labour in them. Generally, would you agree with that submission made by the John Deere company to this committee?

Dr. MACFARLANE: I am afraid, Mr. Horner, this would take an engineering knowledge that I just have not got.

Mr. HORNER (*Acadia*): You would not even give a view?

Dr. MACFARLANE: I do not think I could give a useful one, and for that reason I had better not give any.

Mr. HORNER (*Acadia*): On page 8 of your brief you say four industries in Canada earned more than over \$5 million worth of sales. Where did you get that information?

Dr. MACFARLANE: I believe from the most recent agricultural implement industry report.

Mr. HORNER (*Acadia*): I have it before me, and it says on page 15 that five implement industries sold more than \$5 million worth of goods.

Dr. MACFARLANE: Is that on page 8 of my statement?

Mr. HORNER (*Acadia*): Yes, page 8 of your brief.

Dr. MACFARLANE: I shall stand corrected and ask the chairman if I may have permission to correct the brief I filed, if it is wrong.

Mr. HORNER (*Acadia*): I might say that in 1957 there were only four, but in 1958 there were five.

At page 30 of your brief you talk about the "downward sloping individual demand curves". This tends to convey to me that farmers' purchases of machinery really set in for the first time from 1947 to 1952, and from that time on we have had a downward curve in the demand for farm machine company products, because the initial big purchasing drive was over. Does this hold true? Do I interpret your remarks correctly?

Dr. MACFARLANE: I think I could clarify this. My intention in talking about a downward sloping demand curve for an individual firm is to describe a situation that does not meet the economist's standard or criterion of competition, and I state somewhere that there are three requirements, an upward rising costs curve, a horizontal demand curve for the individual farm, and I have forgotten what the other was. This does not bear on the conclusions you are ready to draw. This is merely a definition of what an economist means by a competitive industry.

Mr. HORNER (*Acadia*): I am glad you have given me your view on this. Now, on page 63 you deal with capital investment on farms, and you say that for 1959 the total for all of Canada was \$20 million. Am I right?

Dr. MACFARLANE: \$20 billion.

Mr. HORNER (*Acadia*): You have livestock and machinery listed in this, and I notice there is a slight gain in machinery for all of Canadian dollar value from 1951 to 1959. Is that right?

Dr. MACFARLANE: Yes, that is correct.

Mr. HORNER (*Acadia*): And livestock held relatively constant, with a slight gain?

Dr. MACFARLANE: That is right.

Mr. HORNER (*Acadia*): Even taking into consideration the high prices for livestock in 1951, and the power prices in 1959?

Dr. MACFARLANE: Yes.

Mr. HORNER (*Acadia*): This would tend to illustrate that livestock numbers are substantially up, to take care of the loss in value?

Dr. MACFARLANE: No. I think if you want to get aggregate capital investment in the industry we should be on page 62. Page 63 deals with it on a per farm basis.

Mr. HORNER (*Acadia*): But I think the same holds true.

Dr. MACFARLANE: It holds generally the same way. I just wanted to clarify it.

Mr. HORNER (*Acadia*): This would be a proper assumption to make from your tables?

Dr. MACFARLANE: Yes, I would agree with that.

Mr. HORNER (*Acadia*): On page 62 you are saying the average farm today has a capital investment of \$20,000.

Dr. MACFARLANE: Yes.

Mr. HORNER (*Acadia*): And in 1951 it had a capital investment of \$15,000?

Dr. MACFARLANE: Exactly.

Mr. HORNER (*Acadia*): In other words, the farmer's capital investment has been going up. Would it be correct to assume that?

Dr. MACFARLANE: Yes, that is correct. It is going up for two reasons, one being the inflationary trends, and the second being increases in real amounts of capital—more livestock and more machinery.

Mr. HORNER (*Acadia*): I have one other question. You have suggested moderate profits but, according to your table on page 48, the profits of the John Deere company seem to me to be rather high for the year 1959. According to your table they made profits before taxes of \$101 million on gross sales of \$551 million, which is pretty near 20 per cent. Would you not say that this is a little bit better than moderate profits?

Dr. MACFARLANE: I would say that if one particular industry makes a high profit, this does not characterize the whole industry. I do not know to what extent—but this is mainly on the United States operations and to some extent on operations in other countries. Of course, this is consolidated. I would never deny that this company has made the highest profit out of the four I have listed, in terms of equities.

Mr. HORNER (*Acadia*): This is more than moderate profits, I think.

Dr. MACFARLANE: I think this is right.

Mr. HORNER (*Acadia*): In this same table you include International sales. Are you including trucks in that figure?

Dr. MACFARLANE: I include trucks because they include trucks. This is a consolidated sheet.

Mr. HORNER (*Acadia*): International also made steel stock racks for their trucks. These would be included in this table?

Dr. MACFARLANE: They used to make refrigerators, but they do not do so any more.

Mr. HORNER (*Acadia*): They quit.

Dr. MACFARLANE: Yes, they quit, because of competition.

Mr. HORNER (*Acadia*): I will forego other questions right now if someone else wishes to go ahead.

Mr. SOUTHAM: Here again I may be out of order as I was unavoidably absent for a half hour or so. If this question was asked already, you can stop me. I think the national farmers union, in their testimony, referred to the Kefauver report of 1958 on prices in industry. A criterion which developed out of that inquiry referred to "administered prices" in the automobile industry. When we put these questions to witnesses, in the case of manufacturers of machines, they denied that this principle or criterion was being applied. What is your opinion of it?

Dr. MACFARLANE: May I say, Mr. Southam, that I am very glad you raised this, and I think I can assist the committee in some small respect here. An administered price, so far as the economist used the term—and the national farmers union was quoting it in its proper context—is a price in any industry where there are not erratic fluctuations dependent on supply and demand—the kind of thing which you have in agriculture, or that you certainly had in agriculture before we had supports and everything else—and you still have it. In an industry with thousands of firms and rapid fluctuations in prices almost day by day if not hour by hour, it is certainly a competitive price and not an administered price. Then, when you get into an industry with half a dozen dominating firms, you do not find these rapid fluctuations in supply in response to demand. In the case of an industry, I take it the published price books are good for perhaps six months or a year. In my thinking, this would have to fall under the category of an administered price. When I say that, I do not mean it has anything to do with collusion between companies or a combine at all. It is merely stating a fact that an industry is made up of a small number of firms where you do not have an opportunity for erratic fluctuations in price, and you call that, or your economist calls it, an administered price. If the machine companies deny they are administering, I think they are denying any implications that there is anything like a combine; but with an administered price it can be or should be or almost always is outside entirely of any context of a price combine.

Mr. SOUTHAM: Is this in relation to the principle you espoused here a few moments ago, that you were referring to factors affecting prices other than the basic cost of steel, transportation, and so on. You more or less interpreted that by saying the companies were inclined to load it with all that the traffic could bear. Is there any relation here to that?

Dr. MACFARLANE: I would not say there is any relationship between that kind of person trying to get everything he can get and what is called an administered price.

Mr. SOUTHAM: There is one other question. It may be that this has been discussed while I was absent. We have talked about, in relation to farm machinery, the question of planned obsolescence. I realize that in order to have some progress in farm machinery, the same as in everything else, you cannot continue making the same unit year after year; but a finger has been pointed by the farmers union, that the companies had planned obsolescence, which would work in a lot of instances to the detriment of the farmer. What is your observation in relation to that?

Dr. MACFARLANE: I would say when they put fancy tinplate on something, there must be some kind of inspiration, and you can call it planned obsolescence if you wish. There is some hope, by getting the tinplate on, that you are going to attract somebody, and that the model will be out of date when you have that little bit of tinplate in a different place two years from now. Therefore you would think there is something like planned obsolescence.

The denial of this is in the fact that farm machines are used for a longer period as time goes by. Tractors now last three or four years longer than they did before world war II. Therefore, if there is any kind of obsolescence it does not show up in terms of the length of productive life of these machines. It is being extended and at a pretty fast rate. For this reason, while I suggest that there is in the minds of manufacturers some ideas of planned obsolescence, in the same way that you have it in the motor car industry, I would say that, because of the longer life of farm machinery, planned obsolescence has no bearing on the productive work done by a tractor. This is going on and expanding and increasing as the years go by.

Mr. SOUTHAM: As you say, we did find very strong evidence of that in recent years. I remember this in the case of the automobile which was costing \$3,000 and which went up to \$4,000 and \$5,000 and changes were made by a longer wheelbase, more tail fins and the use of various gadgets. As a result, the automobile industry priced these cars out of the market. Consequently, the market was infiltrated through the importation of European cars. This had an adverse effect on the American automobile industry. I wonder if that same principle has been injected into the farm machinery industry. If so, it would mean that the farmer was paying part of this cost.

Dr. MACFARLANE: I think there have been attempts in that direction, but I do not attach much importance to them.

Mr. MCINTOSH: You said that in your opinion the retail price asked for any one particular piece of farm machinery had no bearing whatsoever on the cost of it. Was that a correct statement?

Dr. MACFARLANE: That is a little more extreme than I put it. To the extent that prices are made up of cost factors on the one hand and demand factors on the other hand, the demand factors are far more important than the cost factors. This is another way of saying that the machinery companies would try to maximize profits over some target period.

Mr. MCINTOSH: You have arrived at that period from your extensive study of this problem, I presume. I was wondering if in your study you were ever consulted by any of the companies from whom we have had briefs here?

Dr. MACFARLANE: I have talked to lots of them. I have not talked to any of them about any single statement which goes into this brief.

Mr. MCINTOSH: Have you provided any material, sir, for Massey-Harris?

Dr. MACFARLANE: I have.

Mr. MCINTOSH: What part of that material did you supply?

Dr. MACFARLANE: It would be hard to say. The Massey-Ferguson brief is 95 per cent the work of the officers of that company, and 5 per cent my inspiration, but not my material.

Mr. MCINTOSH: What do you mean by your "inspiration"?

Dr. MACFARLANE: Holding their hand, guiding their hand, on the preparation of the statement for this committee. I would not and did not—and Massey-Ferguson would not—talk to me about anything that was going in here.

Mr. MCINTOSH: In view of all the figures that were in that brief, would your study of that brief—presume you have seen it—be the basis, possibly, for your making the statement that these machine companies stand what the traffic will bear?

Dr. MACFARLANE: That view which I have, that the machine companies will price these machines to get what the traffic can bear, has nothing to do with any contacts I have had with the farm machinery industry. It has nothing to do with the industry itself. It is, I take it, a basic principle in our kind of economy, that anybody will price their product to get the most they can. This has nothing to do with one industry. It is a very general rule.

Mr. MCINTOSH: I presume you were here when they were presenting their brief. You saw the graphs which some of these companies presented to us. I think the intention of the witness at that time was to show us that the increase in farm machinery prices had not been as great as the increase in their cost factor over a certain period of years, that if it were based on cost, which we presume it has been, the retail price to the farmer should have gone up considerably more than it has.

Dr. MACFARLANE: Well, anybody may have presented that kind of data, but I do not think I could find that. I gave these supplementary statements this morning, this table of rolling mills, rubber and so on. I think that the price of farm machinery has risen pretty much in line with the production components, including labour; but if it has, this is coincidental, and it has meant that the best they could do in the market yielded them a price which happened to bear a certain relationship to the cost factor.

Mr. McINTOSH: If I can remember correctly, in one brief they said the labour costs had increased 98 per cent, the cost of raw materials had increased—does anyone remember the figures in that brief—by 57 per cent—and the retail price had only increased by a much lower cost factor.

Dr. MACFARLANE: This can be true for an individual implement. I do not see how it can be true for industry prices.

Mr. McINTOSH: It was for one firm.

Dr. MACFARLANE: I could not speak to it. I am sorry. I make a general statement and that is the one which I have filed with the committee this morning.

The VICE-CHAIRMAN (*Mr. Smallwood*): We have been sitting now for over two hours, and I see by a statement a few minutes ago that we have covered some of Mr. MacFarlane's inspirations in the Massey-Ferguson brief. You have spent quite a while, today, considering this, so I expect we should adjourn within the next few minutes.

Mr. HORNER (*Acadia*): On page 67 you interlink the relations between farm income and farm sales. Have you any knowledge of the realized net income statement which D.B.S. put out? You realize how they arrive at the net income statement?

Dr. MACFARLANE: I do.

Mr. HORNER (*Acadia*): Before arriving at the net income statement, they produce a realized net income statement. Do you not think that a realized net income statement would have been a better one to use, rather than the plain net income—because after all a person does not gain any purchasing power really from a paper gain which could come about by the changes in value of inventory—say, for capital, or something, which is held over. Do you realize what I am getting at?

Dr. MACFARLANE: I do.

Mr. HORNER (*Acadia*): You agree that realized net income would perhaps have been a better table to use in the comparison?

Dr. MACFARLANE: I think it is pretty much a toss-up. I am not going to agree. The two are not too far apart during the years.

Mr. HORNER (*Acadia*): It might be interesting for you to look at them and see how far apart they are.

The VICE-CHAIRMAN (*Mr. Smallwood*): Thank you, Dr. MacFarlane, for your presentation. Our next meeting will be at 9.30 on Monday morning next, when we will have the Cockshutt company.

APPENDIX "A"

PRESENTATION TO THE STANDING COMMITTEE ON AGRICULTURE
AND COLONIZATION

By MACDONALD COLLEGE, MCGILL UNIVERSITY
DAVID L. MACFARLANE

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I. PREFACE

1. The real course of the history of the world in contrast to the records of wars, of intrigues, of the pomp of courts, of the adventures of kings, and of diplomatic blunders is concerned with the progress and setbacks of the masses of the human family. This history which relates the story of the intellectual, social, and constitutional progress is very largely concerned with the fact that the great majority of all men over all time have been bound in drudgery to the land. Only in the past one hundred years with adaptation of the machine to agriculture has the heavy burden of manual toil been taken from the shoulders of the farmer. In advanced countries, where productivity gains in agriculture have far outrun population growth, the proportion of the working force required to meet the needs for food and fibre has declined from 70 to 80 per cent of the total labour force one hundred years ago to a level of 15 per cent or less today. This in itself made possible the rise of the great industrialized nations.

2. But in the course of achieving great advances in productivity while financial returns to farmers have risen, roughly doubling over each of the past five generations, they have persistently lagged behind those of workers in non-agricultural pursuits. In addition, returns to farmers have been subject to much wider cyclical sweeps. It is a blunt fact that capitalist economies have not provided "fair shares" to an important capital owning class—the farmer. This explains why the economic problems of the farmer have so frequently become

political problems. I believe that it is proper that the farmers' economic difficulties have become political issues. Governments frustrated by the failure of direct attacks on the farm income problem unavoidably turn to examining the possibility of indirect efforts to improve farm incomes. Thus the House of Commons Committee on Agriculture and Colonization is currently examining the prices of farm machinery. This, too, is proper. It is hoped that this modest submission which is concerned with the relation between the economic organization of the agricultural machinery industry and the progress of agriculture will be of some assistance to the Committee.

3. The paper deals at length with the horrible realities of the fact that agriculture is a declining industry. Workers in such industries are, under an enterprise system, necessarily subjected to the rigours of being forced through sweeping changes—and these occur in the context of secular decline in incomes. Such circumstances represent grave problems not only for the farmers involved, but for their elected representatives.

4. The present paper follows in the tradition established by two earlier Canadian economic studies of the agricultural machinery industry.¹ To a very considerable extent the present work brings up to the current period the analysis undertaken in these earlier and valuable studies. The extent to which it departs in subject or emphasis from the approach of those studies reflects the author's views of the particular interests of the Committee as revealed in its 1960 hearings. However, the present paper is concerned only with the economic aspects of the problem.

II. INTRODUCTION

A. General Historical Background

5. To examine the position and problems of the Canadian farm machinery industry over the post-war period it is necessary briefly to review historical developments that bear particularly on the structure of the industry in this period. The reference to historical considerations is no more than a recognition of the fact that in its present position every industry necessarily reflects its historic origins and development. These matters have been developed at length in the two publications referred to earlier so that the present review may be very brief.

6. The industrial revolution of the late 18th and of the 19th centuries represented the means by which very large numbers of workers shifted out of agricultural employment and took up work in factories and in commercial pursuits. It would follow then that an agricultural revolution preceded the industrial revolution—and *this was the sequence*. This process began with the introduction of new and improved crops, with cultural practices, and with changes in the economic organization of the farm industry. The rapid substitution of the horse for human labour was an important factor. It was possible to effect a vast transfer of workers from farms to factories only with large gains in the productivity of agricultural workers. Thus the stimulus to replace hand work by the horse and machine in farming. This arose just as much from the desire to achieve greater efficiency and profits from farming, as it was forced by the attraction of work opportunities in manufacturing industries and in commerce.

¹ J. D. Woods & Gordon Limited, *The Canadian Agricultural Machinery Industry*, Royal Commission on Canada's Economic Prospects, Ottawa, 1956, The Queen's Printer; and W. G. Phillips, *The Agricultural Implement Industry in Canada*, Toronto, 1956, the University of Toronto Press.

7. While hundreds of patents on agricultural machinery had been taken out in the preceding 50 years, it is generally agreed that the modern farm machinery industry had its beginning in the 1840's with large scale production based on two inventions of the previous decade. Here we refer to the mechanical reaper of Cyrus McCormick and to the steel mouldboard plow of John Deere. The following 50 years were characterized not only by an almost continuous burst of inventions and by the development of large scale efficient plants, but by almost ceaseless patent conflicts, generally described as patent wars. While there were many companies in the field most of them had of necessity to operate largely as patent licencees. But in the last two decades of the 19th century with a sharp decline in farm incomes most of the firms in the industry failed and a small number of companies emerged as leaders in the field—their strength depending largely on their ability to finance research and development. However, consolidation of the industry was clearly aided by the marketing advantages of firms which could offer a wide range of farm implements and which were in a position to pursue sales aggressively. These developments coincided, of course, with the mature agricultural development of the vast wheat areas of the Great Plains. The 40 to 50 years prior to 1929 are described as a period of broad expansion during which the production of farm machinery became one of the leading industries of North America.¹

B. Canadian Background

8. Throughout the 1840's, during which commercial agriculture had its beginnings in Canada, and for two decades following, Eastern Canada was largely isolated from the United States because of the limitation of transportation facilities. Thus, there developed in Canada an indigenous farm implement industry. This was aided by the imposition of 10 to 12½ per cent tariffs in 1847 in United Canada. It is stated that "by the mid-sixties, Canadian firms were virtually in possession of the Canadian market . . ."²

9. However, this control of the Canadian market depended very largely on leasing of patents owned by individuals and companies in the United States. The decades of the 1850's with the Crimean War and the 1860's with the American Civil War provided strong encouragement for the Canadian farm machinery industry both by expanding the demand for agricultural exports and by restraining the force of competition from American manufacturers. This was aided by a tariff increase to 20 per cent in 1856. While there was no strong agreed view in the industry favouring further protection, duties were raised to 25 per cent in 1879 and further to 35 per cent in 1883. These tariff changes reflected rather the determination of the government to guarantee the domestic market to Canadian secondary manufacturing industries whether they needed a tariff or not. (See Phillips p. 42) The first important American response to high Canadian tariffs came in 1900 when the Deering Company established a plant in Hamilton, Ontario which became the location of the present large Canadian operations of the International Harvester Company.

10. With opening of the Canadian West in the 1880's it became evident that competition from the United States in the great Prairie farm machinery market would become an important factor. This was due to the fact that unlike Canada, the American industry was able to move west with the farming industry. This was in large part attributable to the fact that Chicago, in the heart of the American agricultural region, became an important steel centre before the turn of the 20th century. Thus in that country there has been a strong tendency for steel using industries to agglomerate in the Chicago area. The issue of steel using industries locating in Western Canada has, of course,

¹ See J. D. Woods and Gordon Limited, *op. cit.*, pp. 2-3.

² W. G. Phillips, *op. cit.*, p. 10.

been raised many times. But only in recent years when an economic fuel became available through natural gas has one of the great barriers been removed. The other, availability of raw materials for the steel industry, remains.

11. The first census in 1861 listed 46 agricultural implement companies in Canada with combined sales of \$413,000. However, the expansion of the next decade was rapid and by 1871 there were 252 in operation with sales of 2.7 million dollars. Beginning about 1885 a move toward mergers of the large number of independent companies began. Two of the largest, A. Harris, Son & Company, and the Massey Manufacturing Company merged in 1891 giving them about one-half of the agricultural machinery output in Canada. The Cockshutt Plow Company merged with Frost and Wood in 1909 and in 1912 purchased the Brantford Carriage Limited and Adams Wagon Company. Massey, International and Cockshutt clearly became the "Big Three" of the industry. However, in 1911 John Deere acquired a plant in Welland, Ontario, but in comparative terms this remains a fairly small operation. As in the United States the merger movement of this period had the purpose of giving the opportunity to sell full lines or nearly full lines of agricultural machinery. It is interesting that at the present time there are only about 70 agricultural machinery companies operating in Canada, only four of them are of importance in terms of volume of output, having annual sales in excess of five million dollars. Most of the smaller companies are producing specialized types of equipment such as rod weeders, land rollers, spray equipment, dairy equipment, etc.

12. With the drastic decline of farm income in the 1930's the market for new agricultural machinery both in Canada and in export sales all but disappeared. Thus, the Woods-Gordon report indicates that in 1933 production of Canadian agricultural machinery amounted to only 12 per cent of that of 1928. Agricultural incomes recovered slowly during the 1930's, with the result that the agricultural machinery industry remained in a seriously depressed condition. During the war with the rationing of materials and control of manpower, the industry was denied an opportunity to expand output freely even though the market existed. However, during that period the industry did get substantial work on government contracts and was able to rehabilitate its equipment and buildings, thus getting into a stronger position to meet the pent-up demands at the end of the war. The present paper gives particular attention to this post-war period. The most important wartime development for the industry was the removal of all tariffs on agricultural machinery in 1944.

C. Canadian Exports

13. It is interesting that in the year 1887 two of the large Canadian farm machinery producers undertook to develop export markets for their products. Distribution and service facilities were established in the United Kingdom, in many other countries of the British Empire, and in most of the continental European countries, including Russia. Apparently this decision was undertaken in an effort to secure a volume of production with which it would be possible to realize economies of large scale operations. It is interesting that this move to secure an export market came at a time when the Canadian farm machinery industry had a high protective tariff which almost guaranteed the entire Canadian market to domestic manufacturers.

14. The exports of Canadian agricultural machines in the first two or three decades after 1887 were not particularly large; however it does appear that these sales were profitable and came to occupy an important place in the economy of the Canadian industry.

15. A major factor in permitting successful exploitation of European and other markets abroad rested in the rapid industrialization of these countries. This industrialization on the one hand was depriving agriculture of the labour required for food production and on the other was resulting in increased costs of agricultural labour.

16. The pattern of exports of Canadian agricultural machinery would naturally change in 1913 when the United States removed all tariffs on farm machinery. Canadian based firms were given a limited opportunity to integrate their operations on a North American basis. While this fact opened up a vast market for Canadian based manufacturing operations, it was very difficult for Canadian companies to compete in the United States with the well established full line American based companies. By 1920 Canadian exports to the United States reached 3.4 million dollars or 29 per cent of all exports. Only over the post-World War II period have exports to the United States become of great importance. The removal of the last duties on agricultural machinery entering Canada in 1944 virtually forced the industry on both sides of the border to integrate their operations into the realities of a continental market. However, the burst of post-war exports to the United States was in part attributable to the fact that one Canadian manufacturer had a lead over all machinery companies in having a good self-propelled combine. These exports reached a point of 106 million dollars in 1951 and since have levelled off at 70 to 90 million dollars. While exports to the United States were expanding after World War II, Canadian exports to other countries were sharply reduced. This arose from the phenomenal recovery of European industry and from trade restrictions which accompanied the dollar shortage. Confronted with these circumstances, North American companies expanded production abroad.

III. THE CANADIAN AGRICULTURAL MACHINERY INDUSTRY, 1947-1958

A. General Review

17. The striking growth of Canadian secondary manufacturing industry over the post-war period is set out in Table I. The data respecting the performance of the agricultural implements industry over these years may convey to Committee members as much of a shock as they did to the writer. The expansion of output of agricultural machinery over this period is only about one-third as great as that for other secondary manufacturing industries. To account for this very slow growth is clearly a task for the economist, and a difficult task. We proceed to that job in this section of our presentation.

18. The basic statistics for the agricultural machinery industry are presented in Table II. (Warning should be given that the data on gross selling value of products over this period of years is not strictly comparable since the Dominion Bureau of Statistics changed its method of deriving this figure. However, this does not detract from the general usefulness of these data.) The dollar values in the Table should be considered in the context of the inflationary forces which have operated in the Canadian economy over the years recorded. Further, as noted earlier, the physical volume of output has declined by 41 per cent since 1949. The data also reveal the decline in sales after 1952, this being related largely to the decline in net farm income. However, since 1954 there has been a measure of stability with respect to total production. This stability may be expected to continue because of the necessity of replacing equipment purchased

TABLE I
SECONDARY INDUSTRY, PHYSICAL VOLUME OF OUTPUT, 1935-1959
1949=100

	Agricultural Implements	Primary Iron and Steel	Iron and Steel Prod.	Motor Vehicles	Electrical Apparatus	Petroleum and Coal
1935.....	19.7	27.6	29.2	48.9	22.9	37.8
1939.....	18.2	43.8	39.1	44.6	28.4	48.1
1941.....	37.1	88.0	86.4	100.2	61.8	61.1
1944.....	59.0	104.3	118.4	108.2	85.5	73.6
1946.....	53.7	71.7	80.8	59.8	67.7	74.3
1947.....	64.2	93.9	93.6	90.3	89.6	79.8
1948.....	91.5	99.1	101.5	89.7	91.5	89.9
1949.....	100.0	100.0	100.0	100.0	100.0	100.0
1950.....	82.5	109.4	102.5	129.1	112.5	111.9
1951.....	85.6	129.0	117.0	143.5	120.7	128.5
1952.....	94.6	127.9	118.9	146.4	124.5	140.1
1953.....	71.6	120.8	115.3	164.4	150.9	153.5
1954.....	50.9	94.6	106.2	130.7	151.7	165.0
1955.....	51.1	133.0	123.8	167.7	176.2	188.3
1956.....	46.7	158.3	145.3	184.1	191.3	216.1
1957.....	45.6	149.0	139.6	162.0	183.6	223.5
1958.....	51.2	121.8	126.4	138.6	175.5	216.8
1959.....	58.9	167.7	147.7	148.8	185.7	241.5

SOURCE: D.B.S. unpublished.

TABLE II
BASIC STATISTICS OF THE CANADIAN AGRICULTURAL MACHINERY INDUSTRY,
1947-1958

Year	Number of Establish- ments	Production Workers		Salaried Workers		Cost of Materials at Plant	Value Added	Gross selling value of Products
		Number	Earnings	Number	Earnings			
		\$Thousands				\$Thousands		
1947	61	13,688	25,982	2,325	5,262	49,799	38,162	89,423
1948	69	15,510	36,332	3,237	8,938	81,591	63,368	146,956
1949	79	13,760	34,738	3,214	9,481	95,685	79,193	176,970
1950	86	13,161	33,872	3,062	9,413	79,124	68,356	149,500
1951	81	14,038	41,490	3,198	10,727	96,469	72,719	171,172
1952	85	14,753	49,704	3,293	12,720	109,828	93,778	205,775
1953	80	10,989	37,444	3,172	12,858	90,345	79,100	171,270
1954	76	8,949	28,535	2,856	11,690	66,712	49,241	119,006
1955	77	8,952	30,684	2,801	11,245	59,283	54,464	113,923
1956	71	7,271	25,927	2,567	10,776	64,786	51,474	122,681
1957	70	7,747	28,044	2,524	11,233	59,856	53,174	122,529
1958	71	8,356	34,139	2,655	13,205	77,274	60,537	133,145

SOURCE: *The Agricultural Implements Industry*, D.B.S., Various Numbers.

after the end of the war. The industry will also, in the view of many economists, continue to have a stable to rising character because of the many opportunities which farmers still have to profitably invest in farm machinery.

19. In keeping with the 41 per cent decline in output since 1949, numbers of production workers have been decreased by 40 per cent, while the number of salaried workers has been decreased by 17 per cent. No similar adjustment in outlays on wages and salaries is evident since earnings per worker in both of these categories rose sharply over the period since 1949. Before proceeding from this general review of the agricultural machinery industry, attention is drawn to Table IIA which sets out several series of data relating to the industry. These cover the retail prices of agricultural machinery, indexes of important purchased components and of related or comparable items, as well as an index of hourly earnings of agricultural machinery production workers. These will be referred to in the following sections of this statement.

B. An Integrated North American Industry

The idea that integration of manufacturing and sales operations on a North American basis was encouraged or "forced" by the Canadian removal of tariffs on farm machinery in 1944 has been introduced.

TABLE IIA
PRICES AND OTHER FACTORS RELEVANT TO THE AGRICULTURAL
MACHINERY INDUSTRY, 1947-60

Year	Retail Price Index Farm Machinery	Average Hourly Earnings of Agricultural Machinery Canada	Wholesale Price Indexes			
			Rolling Mill Products	Rubber and its Products	Pig Iron	Hardware
	1949=100	Current \$	1949=100	1949=100	1949=100	1949=100
1947.....	79.8	.94	82.7	100.8	74.8	77.5
1948.....	89.5	1.09	93.2	101.3	90.2	87.8
1949.....	100.0	1.15	100.0	100.0	100.0	100.0
1950.....	104.3	1.26	106.3	142.0	103.7	103.8
1951.....	118.0	1.47	119.8	188.8	116.6	120.3
1952.....	123.4	1.60	127.0	159.6	122.1	126.0
1953.....	124.3	1.61	130.5	141.0	124.2	129.2
1954.....	125.0	1.64	128.3	138.6	122.0	125.4
1955.....	125.6	1.68	130.3	160.0	123.5	132.6
1956.....	132.3	1.71	138.6	160.3	132.0	145.4
1957.....	141.4	1.80	150.3	157.4	139.6	151.9
1958.....	149.5	1.91	153.6	157.0	140.4	155.0
1959.....	156.9	2.02	155.3	166.2	140.4	152.2
1960.....	160.6	2.08	156.9	174.4	140.4	157.6

SOURCE: Dominion Bureau of Statistics.

21. The extent to which the agricultural machinery industry has become fully oriented in an economic sense to the continental significance of its market is reflected in the accompanying Figures I and II. The first of these shows that over the period since 1947 some 60 per cent of all Canadian production of agricultural machinery has been exported. The second Figure reveals that over the period since 1947 more than three-fourths of sales of agricultural machinery in Canada is represented by imports. Here obviously is a situation of a highly developed state of integration of the industry on a continental basis. The extent of integration of this industry on a continental basis is indicated by the fact that almost all of the tractors used on Canadian farms are imported, while a large proportion of the combines produced in Canada is exported. The same is true of balers, of mowing machines, of drills and of cultivators.

22. One of the major difficulties which prevents the more complete integration involving full specialization within plants lies in the fact that the

major production facilities in Canada are located in the Toronto-Hamilton area. Factories located in this area face serious transportation difficulties or costs in selling products beyond the Michigan-Indian border, or south of the Ohio River. It was estimated by Woods-Gordon that Canadian based factories had a transportation differential which favoured them in selling in only 26 per cent of the combined Canada-United States market in 1950-51 (p. 21). At the present time because of freight rate increases, the proportion of this total market which may be more advantageously served from the Canadian based plants has shrunk to about 15 per cent.

23. While the Canadian based factories are at a clear disadvantage so far as transportation costs are involved in serving by far the largest part of the continental market, these plants do have an apparent advantage in terms of labour costs. Hourly earnings in the United States agricultural machinery industry are about 27 per cent higher than those applicable to Canada. But the lower wages in Canada are more than offset by lower productivity of workers. This statement is based on Fullerton and Hampstead, which concludes that productivity of workers in the American farm machinery is clearly higher than Canada. They conclude that "in agricultural implements, despite the down trend in Canadian productivity in recent years, productivity per man hour on a value added basis is shown as some 32 per cent below the United States..."¹ This comparatively large differential would appear to reflect the fact that some Canadian production facilities are less specialized and efficient than those of the United States. These authors warn their readers that while the data they present are the best that can be secured on the basis of available basic statistics on the industry, that they cannot be considered to be particularly reliable, but they are useful, general guides. In summary, we might state that real labour costs in the two countries are about comparable. This leaves the Canadian based industry with a grave and increasingly difficult transportation disadvantage.

24. There are clear and substantial advantages to Canadian farmers in the tariff free situation which prevails for agricultural machinery. Not only do they secure free access to machinery produced for the very large American market, but they have access to Canadian produced machinery on more favourable terms than would otherwise prevail since the Canadian based plants can realize scale economies due, in turn, to their having access to the American market.

25. One of the most significant facts of Canada's post-war economic history is that the agricultural machinery industry has survived and grown, even though slowly, without the benefit of tariff protection. This does not guarantee the farmer machinery prices which bear a discernable relation to the prices of the products he sells. But it does assure him of machinery prices more favourable than would apply in a tariff situation where Canadian manufacturers were limited to the relatively small Canadian market.

26. When the economist is asked to propose measures which would restore competitive pricing to segments of the economy where monopolistic or non-competitive pricing is thought to prevail, his first answer runs in terms of giving access in the domestic market to the supplies of the producers of all countries. In its action in 1944 in removing all tariffs from agricultural machinery the Canadian Parliament did exactly this. To the credit of the United States, or rather to the credit of the political influence of American farmers, the United States took similar action in 1913. This action would go a long way in preventing non-competitive pricing practices.

¹ *Canadian Secondary Manufacturing Industry*, The Royal Commission on Canada's Economic Prospects, Ottawa, The Queen's Printer, 1957, p. 159.

27. In the agricultural machinery industry, rather than being confronted with the domestic industry "folding" in the view of the removal of tariffs, we observe rather that the industry has survived—not in a flourishing condition, but its survival is of very great significance to our country and to our farm industry burdened as it is by tariff barriers. The volume, *Canadian Commercial Policy*, prepared for the Royal Commission on Canada's Economic Prospects, assessed the cost of the tariff on Canadian consumers at approximately one billion dollars in 1956. This was in terms of an economy which at that time produced a gross national product of 30.6 billion dollars and a disposable income of 20.2 billion dollars.

28. Adjusting to the free trade situation has not been easy for the agricultural machinery industry. It has required geographical or regional specialization of production. Thus Canada produces very few farm tractors. On the other hand Canada has had a very large export of combines. What is suggested is that the free trade situation has led to production specialization which permits realizing the economies of large-scale production for various types of machines.

29. It is very interesting that the Royal Commission examining the Canadian automotive industry has been presented with the challenge of considering the economics of organizing the automotive industry in North America on exactly the same terms as those which apply in the agricultural machinery industry. In the latter, the customer is charged the same price in Canada as in the United States, transportation differentials considered. In the case of the automotive industry the differentials in the price of low priced standard cars in 1955 was 11 to 22 per cent.¹ Some of this is, of course, accounted for by differences in taxes. It is worth noting that in recent years imports of agricultural machinery came from many countries, and in significant quantities from four. Here is an illustration of comparative advantage at work. We observe that the Canadian farmer is given the benefit not only of the mass production techniques of the United States, but of the striking industrial achievements of Western European countries in the post-war period.

30. The benefits which farmers derive from free trade in farm machinery is illustrated by retail cost comparisons between Canada and the United States on other items. In 1955 corresponding electric ranges were priced from 12 to 54 per cent higher in Canada; automatic washers were from nine to 33 per cent higher in Canada; refrigerators were from four to 49 per cent higher; and television sets from one to 36 per cent higher.²

C. Pricing Policies in a Non-Competitive Industry

31. The economist's definition of competition requires, among other things, a large number of sellers—the kind of situation that exists in agriculture, and to a smaller extent in such business undertakings as the corner grocery store. In the economist's view the competitive situation is advantageous because its wholesome welfare implications stand out clearly. His analytical apparatus is adapted to such situations. When he is confronted with non-competitive situations he enters something of a guessing game or at least an area of study where consideration of appropriate strategy of business conduct becomes important. And even though the individual economist may (and sometimes does) excel in strategic situations, his machinery or formal analytical methods in this area are not particularly sharp.

32. This frank bearing of the economist's breast is, in effect, no more than stating the position credited by the National Farmers Union in its brief to this

¹ J. H. Young, *Canadian Commercial Policy*, Royal Commission on Canada's Economic Prospects, Ottawa, The Queen's Printer, p. 187.

² Young, *op. cit.*, p. 213-5.

Committee, to Dr. Gardiner Means of the U.S. Federal Trade Commission. He is reported to have stated "that while administered prices (those that do not fluctuate readily in response to supply and demand in the market) have become an essential part of our modern economy, we do not know enough about how they actually operate to be able to make good national policy in such economic fields as inflation, full employment and enforcement of competition." (p. 10)

33. Dr. Means, who is the recognized authority in the analysis of pricing policies in non-competitive industries has stated many times that in this area there is no unique answer to output and price policy. Actually the economist has formulated dozens of analytical models to help secure understanding of price and output policy in such industries. These models generally lack any substantial approach to reality due to the types of assumptions that must be made in order that any solution can emerge. And it is always extremely difficult to determine whether in any given industry or in any given firm the actual conduct of its affairs coincides approximately with any of the models that have been developed. Furthermore, as noted, no consideration of price and output policy in the non-competitive field is free of considerations of strategy. This much economists do agree. By strategy is meant for instance, the idea that firm A, one of the fairly small number of competitors in an industry, does not take a price and output decision simply by observing or guessing at the policies operating in firms B, C, D. . . . Rather A must take its own decision with regard to price and output in terms of an estimate of how firms B, C, D . . . might react to or might respond to any of the possible positions that might be adopted by firm A.

34. The individual agricultural machinery firm appears to determine its prices on individual machines by very complex and arbitrary procedures of testing for projected costs on the one hand and testing the prospective reception of the machine in the market on the other hand. This latter step is mainly concerned with assessing or appraising the competitive position of rival's comparable machines.

35. The procedures employed by the manufacturing industry in the United States are described by Professor W. A. Cromarty of the Michigan State University and it may be useful to quote this entire part of his report:

Production planning for machinery manufacturers tends to follow a pattern which is described briefly as follows: Long-range market forecasts, which represent average annual industry sales for the next decade or so, are prepared for each major implement. These estimates form a basis for long-range planning commitments and are largely used for tooling and facility planning.

Estimates for the forthcoming year of industry and company sales are made for each major implement. The latter estimates are probably the most crucial to the company since materials purchasing and tooling are planned on this basis. Adjustments in annual planned production may be made by reviewing the relation between current production and current sales. Although this may be done as often as monthly, longer term adjustments are preferred.

Production schedules are planned so as to have new implements in dealer hands just prior to the season when they are used on the farm. This requires planning in advance of any peak which may be reached for sales. The seasonal use of many farm machines often permits farmers to postpone decisions on purchasing until shortly before the machine is needed. They may even postpone purchases until the following year if crop prospects are not good and manufacturers must attempt to adjust production to such seasonal requirements. Many farm imple-

ments are used for only a few days per year and the required production volume to fill total demand is thus low.

Manufacturers attempt to adjust to this in two ways. Production schedules may be planned so that a very few types of machines are produced in large numbers for very short periods of time, to be followed by other types of machines. Such planning leads to efficient use of men and materials.

"The alternative is to not produce particular machines which have low-volume sales and to buy the complete machine or many of the constituent parts from smaller "short-line" companies who specialize in few machines.

Two methods of production are generally employed. The parts of more complicated farm machines, such as tractors, combines, etc. are produced for immediate assembly with repair parts being produced only in the quantities estimated to be necessary. For less complicated tillage implements, parts are manufactured for assembly at some later date, and in fact may be shipped to dealers in an unassembled or partially assembled form.

Production restrictions as outlined above, as well as those due to decreased demand and consequently lower sales volume, are important factors in pricing farm machinery. In addition, transportation charges, material prices, administrative and selling expenses, factory overhead, sales taxes, direct labor costs, and margins of retailers and manufacturers all contribute to the level of machinery prices.

Separating the effects of each of these charges is difficult. For instance, materials prices are generally overstated by manufacturers and labor costs underestimated due to their accounting methods. As raw materials are processed by subsequent departments in a company, labor costs are added to the original cost to give a new materials price. Therefore, the labour cost involved in processing is submerged in the transference.

Pricing policies in the farm machinery industry cannot be said to follow principles outlined in theoretical competitive economics except in a very indirect manner. In general, the method of arriving at prices of implements follows a three-step pattern. A first estimate of price is made on the basis of costs of materials, labor, and past profit. The first revision is made by comparing this figure with the prices of competitive implements. A final revision is made based on technological improvements and the level of sales.

"Costs used as a basis of selling are based on the estimated prices of materials during the coming season. This includes any adjustments in wages liable to become effective during the coming year. Factory overhead expenses are based on past experience and the expected volume of production.¹

36. Professor Cromarty, dealing with the importance of what he describes as market variables in influencing the price of farm machinery states the following:

The major market variables for the machinery sector include the price of steel, the level of industrial wages, and manufacturers shipment of machinery. The outlay on steel is one of the major costs of producing farm machinery and it is to be expected that machinery prices will be governed by variations in the price of steel. This applies to industrial wage rates too.²

¹ *The Demand for Farm Machinery and Tractors*, Michigan State University Technical Bulletin, 275, 1959, p. 29-31.

² Cromarty, *op. cit.*, p. 37.

37. A manufacturer may feel, like many farmers, that he should secure costs of production, and a going rate of return on capital. But he has learned, as the farmer has, that there is no assurance that he can get cost of production. To illustrate the grave limitations which attach to ideas that the price of the product should cover costs I can do no better than quote in full an editorial which I wrote for the *Macdonald Farm Journal* in March, 1958, as follows:

Perhaps the hardest among the perennials—should we say among the perennial weeds—is the idea that farmers should secure their cost of production. Of course any one would agree that they should secure prices which are equal to their costs. This would seem to be the most elementary expression of equity or justice.

The difficulty with the cost of production idea is that the mechanics of its calculation render the determination of any defensible single cost figure almost impossible. These calculations involve logical difficulties which no one has yet solved. But they also must face up to the fact that our type of economy does not operate to guarantee anyone cost of production. Granted, some groups in the economy are in the very favoured position so that they can extract from the purchasers full cost and then some. But the idea that any producer is entitled to cost of production runs strongly counter to the basic ideas of our competitive pricing system.

In the first place, costs of production of farm products derive in part from the price of the product. This is particularly true of those portions of cost which reflect land values or land rent, management, and even returns to labour. Thus, in a market in which the price of milk is favourable, land rents and land values tend to be high, and returns to labour and management tend to be high. What is particularly important here is that these costs reflect the level of prices to farmers, and in this sense are determined by prices.

Perhaps the greatest difficulty that is associated with the use of costs in price negotiation is represented in the fact that the costs of 'management' are not only important but difficult to handle. One might ask, 'What is the cost of management in producing milk for processing purposes?' It may be one dollar-per hundred pounds; it may be fifty cents; or it may be zero.

Farm cost studies, which are repeatedly made despite the logical difficulties which they involve, show a very wide range of costs as between farmers. Thus cost figures on one hundred dairy farms might vary from \$2.25 per hundredweight to \$5 per hundredweight. If costs are to be used as one factor in bargaining on prices one would ask immediately: whose costs?

The answer to this question is sometimes that the average cost should be used. But why should it? Why should one-half of the farm producers secure a price which fails to meet their costs? In establishing prices where a large number of individual producers are involved, control agencies have in the past used the idea that price should be set to cover the costs of 80 per cent of the producers. But why 80?

One might ask how labour costs are handled. Farm workers typically do not work for wages. Should a cost calculation use fifty cents an hour, or one dollar an hour, or just what figure?

The general rule by which production of any product is determined is that the price is set very largely by what consumers will bear. Granted, because of advertising and other such influences consumer preferences, or the strength of consumer demand, may not represent rational conduct,

but nonetheless it does represent market conduct. Perhaps the best that farmers or other producers can do is adjust to the forces in the market represented by demand. At any given time Canadian consumers might be willing to purchase 250 million pounds of evaporated milk at sixteen cents a can, but they would purchase only 150 million pounds at twenty cents per can. If, as suggested, this is the overriding force in determining where price will be, the best that producers can do is to adjust to it. This is rough, but it is the way of the market. And if this is the way of the market, then marketing boards and other such agencies are pretty much limited to assisting toward more efficient production and toward more efficient marketing.

The general impression one gets from the press is that farm production is inefficient and production in the processing and marketing field is efficient. Nothing could be further from the truth. While we have to face the overriding importance of consumer demand, it does not mean that we should look for improvements in efficiency only in farm production. We have to look at processing and marketing too.

38. While the foregoing statement relates to agricultural production it is not without an important bearing on any type of production. If one were writing with respect to the manufacturing industry, one would stress the fact that perhaps half of the costs incurred by the manufacturing company would have no bearing whatever on the price or output. Manufacturing companies have learned that once costs become fixed, they are sunk, and there is little or nothing that can be done about them. If the market allows the firm a sufficient return to cover these or more than cover them, well and good, but there is no way of requiring the market to remunerate firms for their fixed costs.

39. Financial statements of any type of company frequently show large "write-offs". These represent an accounting recognition of past "mistakes"; or to put the issue more fairly they represent the difference between a market projection made before the now fixed costs were incurred and the actual direction which the market has taken. In summarizing the whole burden of this discussion of fixed costs, we would assert that these have no bearing on current prices of farm machinery; on the other hand direct or variable costs do have such a bearing because it is still possible for the firm to change its outlays on these variable costs which are typically made up of wages, salaries, material purchased, etc.

40. In competitive industries prices are made automatically and confront the individual producer as a stark fact. In non-competitive industries the individual producer can choose the level at which to price an individual article. However, this freedom is very strongly circumscribed by the pricing policies of other firms. If one views the history of the agricultural machinery industry over 50 years, one would conclude that the freedom to establish prices at any level determined by the individual producer is a freedom to price your firm into a declining share or an expanding share of the market. Citing a University of Chicago study, we observe that by a burst of innovation genius and aggressive pricing the Ford Motor Company was able by 1923 to command 80 per cent of the U.S. tractor market. But this lasted for a very short period of years, and in 1929 Ford left the tractor market entirely.¹ All companies have had a very uneven experience in the amount of the market for any machine that they could hold over any period of years. It may be presumed that Ford did not choose to cut its share in the market or to leave the market. Rather, one would

¹ Conant, Michael, "Competition in the Farm Machinery Industry", *Journal of Business of the University of Chicago*, 26, 1953, p. 35.

judge that other manufacturers secured advantages in terms of research and development, in terms of costs, and in terms of assessing the nature of the market. These advantages were expressed in products and in pricing policies which allowed them to gain an increasing share in the market and presumably greater profits. This leads us to conclude that in a dynamic economy, even with a relatively small number of firms competing on a full-line basis, the important factors of research and development and of internal management have an extremely important bearing on the success of the individual company.

41. The demand for agricultural machinery is highly inelastic. Elasticity is a measure of response of amount taken in a given market to change in price. Dr. Zvi Griliches, in a recent study, shows the short-run elasticity of demand for tractors to be -0.25 over the period 1921-1927, excluding the war years.¹ Dr. Simon N. Whitney supports the proposition that the price elasticity of demand for farmers machinery is low, and cites a doctoral thesis in support of his view.² Professor Phillips (*op. cit.*) is less certain. However, he does conclude "it is, in fact, true that the same factors which account for high income elasticity of demand for implements likewise account for low price elasticity. Stocks of implements accumulated during high income periods, may make farmers quite indifferent to price changes in low income years. The greater productivity resulting from machinery improvements may be expected to mitigate the effect of price increases in recovery years, as should the increasing price of farm labour during those years." (p. 101-2).

42. Income elasticity as referred to by Phillips is the responsiveness of agricultural machinery purchases or demand to changes in the farmers' income. There is no disagreement on the high income elasticity in the literature on the subject. The relationship between these two elasticities as they bear on the farmer will be considered later. However, Dean V. W. Bladen of the University of Toronto reviewing the situation in the depression period, remarks that "it is doubtful, however, whether at any price at which they (Massey-Harris, International Harvester, and Cockshutt Plow) could operate that they could have sold machinery in the face of the decline in farm income".³ This is another way of stating the low price elasticity of demand and for agricultural machinery, and the high income elasticity of demand.

43. The problem of differential pricing in different countries by a single firm is not one which need cause concern. If a buyer's market existed in country A and a seller's market existed in country B, one would expect the same product to sell at different prices. All this means is that prices are to a large extent market oriented. At the same time one would expect the forces of competition among the 20 to 30 important agricultural machinery companies which operate on an international basis to dampen down any considerable price differentials. The literature on the industry leads one to feel that this type of competition exists.

D. The Question of Monopoly

44. Traditional or classic economics was concerned almost entirely with competitive conditions. The most important conditions required for the competitive situation are: (1) a large number of sellers; (2) each firm is operating under conditions of increasing unit cost; and (3) the demand curve for the individual firm must be horizontal indicating that price of the product is entirely independent of the output of the firm. Analysis conducted within this competitive framework yields a unique solution to price and output.

¹ "The Demand for a Durable Input: Farm Tractors in the United States, 1921-57", In Harberger, Arnold, *The Demand for Durable Goods*, University of Chicago Press, 1960, p. 205.

² *Antitrust Policy*, New York, 20th Century Fund, 1958, p. 252.

³ *In Monopoly and Competition and the Regulation*, London, MacMillan, 1954, p. 6.

45. In the latter part of the 19th century, and particularly because of the work of Professor Alfred Marshall of Cambridge, it became clear that a considerable part of the industrial complex of the United Kingdom operated under conditions which did not fit the assumptions imposed in classical economics. With the advance of technology and the growth of size of individual firms it was evident that the firms in many industries operated under conditions of decreasing rather than increasing costs, and had downward sloping individual demand curves. While Marshall made a considerable contribution to understanding these situations, particularly by introducing the idea of external economies, most pricing and output problems remained without a determinate solution.

46. Then in the late 1920's a burst of interest in the economics of non-competitive situations occurred and the names of Robertson, Clapham, Pigou, Sraffa, Shove, Mrs. Joan Robinson, and Edward Chamberlain became household words in the vocabulary of every student of economics. While the work of these analysts in the late 1920's and the early 1930's resulted in considerable advance in handling some problems involving the downward sloping demand curve for the firm, product differentiation, and the dependence of costs on demand, this whole decade of work has been described as little more than interesting exercises in geometry. Such is the nature of progress in economics.

47. Criticism of this work led economists to a new emphasis on defining institutional rather than analytical concepts. The result was the emergence of the idea of "workable competition". "Competition is workable in the sense (1) that it is preferable to the best alternative 'competitive' arrangement practically attainable; (2) that such market control as sellers can exert is slight and, under the particular circumstances does more good than harm."¹ The idea of workable competition was developed as a guide to courts in trying anti-trust cases and has been very useful.

48. Not only to advance analytical ideas, but again as assistance to the courts, economists devised a number of tests of monopolistic practices, which again have been used. These include (1) identical pricing; (2) price leadership; (3) sustained high level profits; (4) market sharing; (5) patent suppression; (6) basing point pricing; (7) an index of concentration. The agricultural machinery industry has been tested by all these measures. The only positive finding in the literature relates to price leadership. Quoting from Whitney who wrote in 1954: "The Federal Trade Commission found for the period before 1938 that International and Deere were definitely the price leaders . . . Such leadership by International and Deere was never invariable, and in recent years this price leadership seems to be no longer customary at all."² Justice Sanford of the United States Supreme Court, in a 1927 opinion in a case against the International Harvester Company, stated "price leadership was a natural, not a conspiratorial phenomena."³ This position is widely accepted.

49. Dr. Whitney, Chief Economist for the Federal Trade Commission of the United States, summarizes his study of monopoly practices in the agricultural machinery industry in the following terms: "In brief the influence of the antitrust laws on this industry has been relatively slight compared with the dynamic effect of technological competition, which has resulted in considerable fluctuations in the shares of the market held by different companies and at the same time has led to mechanical improvements which have been among

¹ Stocking, George W., and Watkins, Myron W., *Monopoly and Free Enterprise*, Baltimore, Lord Baltimore Press, 1952, p. 97-8.

² Whitney, *op. cit.*, p. 251.

³ *Idem*, p. 233.

the principal contributors to the tremendous advance in agricultural production."¹ He asserts that his findings with respect to the agricultural machinery industry bear out the much quoted statement of Professor Joseph A. Schumpeter of Harvard University in one of the greatest books of this generation.

As soon as we go into details and inquire into the individual items in which progress was most conspicuous, the trail leads not to the doors of those firms that work under conditions of comparatively free competition but precisely to the doors of the large concerns—which, as in the case of agricultural machinery, also account for much of the progress in the competitive sector—and a shocking suspicion dawns upon us that big business may have had more to do with creating that standard of life than with keeping it down.²

50. Whitney cites as one of the best proofs of the comparative rivalry that exists in agricultural machinery, the increase in the number of full-line companies. In 1922 there were three, in 1948 there were eight. He reports that "the author of the most thorough economic analysis of the industry in recent years became so impressed with the fact that mergers had created rather than repressed competition that he adopted the title 'Competition Through Merger'".³

51. Referring to the dynamic quality of this industry, Mr. Whitney states that the grain binder was perhaps a product whose release from monopoly control the government was most anxious to secure its original antitrust suit; "but by the 1930's the combine had replaced the reaper, the binder and thresher alike. In 1918 International had 65 per cent of the grain binder sales and in 1937, 67 per cent of the small number still made; but its share of the 1937 market for combines, which had made the binder almost obsolete, was only 19 per cent."⁴

52. Mr. Michael Conant, addressing himself to the relationship between standardization and technological innovation makes the following statement:

In the farm-machinery industry there have been some definite efforts to avoid product differentiation. One of the leading functions of trade associations in the industry has been the standardization of products. The marketing of many sizes and styles of a given machine has been considered by the full-line firms to add more to costs than to revenues. Standardization policies have resulted in interchangeable linkage of machines of one firm to tractors of other firms, a mechanical feature demanded by farmers. It is doubtful that standardization policies have had great significance in farm-machinery marketing, since machines such as tractors, combines, corn-pickers, and pick-up balers, which make up a large minority of total sales, have been subject to such rapidly changing technology that standardization of them would be impossible.⁵

53. International Harvester was a pioneer in farm tractor production and by 1911 was the country's largest producer. It was followed by Rumely and by Hart Parr. "In 1917 Henry Ford introduced the first lightweight tractor, which sold for less than \$1,000. The successful acquisition by Ford Motor Company of 80 per cent of total tractor sales by 1923 demonstrated the interrelation of technology and price as weapons of market rivalry."⁶

¹ Whitney, *op. cit.*, p. 256.

² *Capitalism, Socialism, and Democracy*, Harper, New York, 3rd Ed., 1950, p. 82.

³ Whitney, *op. cit.*, p. 236.

⁴ *Idem*, p. 234.

⁵ *Competition in the Farm Machinery Industry*, *Journal of Business of the University of Chicago*, 26, 1953, p. 29.

⁶ Whitney, *op. cit.*, p. 35.

54. Cyrus McCormick ruefully admitted that the low price of the Ford tractor gave it the leading position in the tractor industry and helped to set the type for all tractors of that day.

55. Conant goes on to say: "Just as Ford became the largest tractor seller by a striking innovation, so it lost its market share by failing to make continuous improvements on the Fordson." (p. 35) Ford lost its share of the tractor market to a very considerable extent by the introduction by the International Harvester Company of the Farmall, the first all purpose tractor ever produced—a tractor not only designed to pull tillage and haying machines, but designed to pull cultivating tools through a growing field. This innovation meant that the horse could be replaced by the tractor for all types of field work and the increased use of the tractor made it a profitable acquisition in terms of cost. The next significant development in the tractor came by Allis-Chalmers in 1929. This same company introduced rubber tired tractors in 1934, and these were adapted the following year by other full-line firms. In the course of these developments Allis-Chalmers more than trebled its tractor sales. Conant states that the next major tractor development was in June, 1939, when the Ferguson principle was first marketed on a tractor in the United States. With Ferguson's invention of hydraulic controls this machine found immediate demand and in 1943, 30 per cent of all tractors sold in the United States of less than 30 horsepower were Ferguson manufactured.

56. The experience cited above with respect to tractors involving four firms in a competition spurred not only by price, but equally by innovation is suggestive of forces that are still operating in this industry today.

57. In the United States there are over one thousand manufacturers of agricultural machinery and in Canada about 70. As late as 1948 the eight full-line companies held 73.6 per cent of the domestic American market. This fact is revealed in Table III, which shows the changing importance of individual full-line firms over the previous 26 years. That there is lots of room for relatively small firms which do not qualify as full-line manufacturers is revealed in the fact that between 1940 and 1948 the share of the tractor market of seven identical full-line manufacturers dropped from 88 per cent to 72 per cent; and from 65 per cent to 50 per cent for other implements. These data are based on United States census tabulations. (Whitney, p. 237).

TABLE III

FARM MACHINERY: ESTIMATED SHARE OF FULL-LINE PRODUCERS IN DOMESTIC DOLLAR SALES, 1922-48¹

(per cent)

Firm	1922	1929	1937	1948
Total, full-line firms.....	64.6	54.7	72.6	73.6
International Harvester Co.....	44.0	28.3	32.7	22.8
Deere & Co.....	11.6	11.9	18.5	15.3
J. I. Case Co.....	9.0	3.8	4.8	7.0
Allis-Chalmers Manufacturing Co.....	—	1.8	8.1	6.8
Oliver Corp.....	—	4.7	4.8	4.2
Minneapolis-Moline Co.....	—	2.5	2.7	3.6
Massey-Harris Co.....	—	2.5	2.7	3.8
Dearborn Motors Corp.....	—	1.7	1.0	10.1

¹ From Whitney, *op.cit.*, p. 235.

58. Whitney also says: "The record of the industry in production and innovation has been outstanding, and on the whole profits have been moderate. Criticisms stem from those who object to an oligopoly structure in any industry". (p. 256) Anyone who examines Whitney's analysis of some 20 industries in terms of whether or not monopolistic practices interfere with the public weal will understand that he is no apologist for big business or for monopolistic abuses.

59. The role of patents as a restrictive device in the agricultural machinery industry may easily be exaggerated. For instance, Whitney (p. 244) states that out of 1,233 patents held by International Harvester in the year 1946, 1,193 had been released to other agricultural machinery producers. Freedom of entry into the parts business is indicated by the fact that out of the hundreds of thousands of parts for agricultural machinery which are currently stocked and sold, no more than two to three per cent are protected either by patent or by royalty. In this sense there is almost free access to the parts manufacturing business. While this disposes of the argument that any particular agricultural machinery manufacturer has a monopoly with respect to parts, it does not get parts to the farmer at much lower prices. One would judge that the engineering, tooling, production, and distribution of parts by firms outside the industry cannot be achieved at prices to farmers generally as low as those charged by the manufacturers who have a responsibility to supply parts for at least a ten year period.

60. It is interesting that the United States Supreme Court in a 1927 decision respecting the charge of monopolistic practices brought against the International Harvester stated the following:

The law . . . does not make the mere size of a corporation, however impressive, or the existence of unexerted power on its part, an offence, when unaccompanied by unlawful conduct in the exercise of power . . . the fact that competitors may see proper, in the exercise of their own judgement, to follow the prices of another manufacturer does not establish any suppression of competition nor show any sinister domination.¹

61. This finding by the United States Supreme Court draws a sharp distinction between mere size of a corporation as evidence of an undesirable monopoly power, on the one hand, and the use of practices within the trade that may be considered clearly against the public interest. Thus the Supreme Court is stating in effect that until conspiracy or collusion is proven an individual firm cannot be convicted under antitrust legislation. This seems to be the situation that prevails in Canada, if the writer might advance a highly unprofessional view. Commenting on Canadian anti-combines legislation, Mr. D. Gordon Blair, an Ottawa lawyer, states:

Under modern conditions, it is plain that competition does not depend for its existence upon a large number of small competing units. The big three in the automobile industry may compete much more vigorously than any number of retail druggists in a community. It is recognized that competition can be expressed in many forms besides simple price rivalry among suppliers of identical commodities. There is the competition of substitutes, the competition of innovations and the competition of service, all of which have given strength and vigor to our economy, and in all of which price competition itself finds in part its modern expression. The competition it is the present policy of the law to defend and protect embraces all possible varieties.²

¹ *U.S. versus International Harvester Company*, 274 U.S., 693, (1927), p. 708-9.

² *Combines, Control, or Competition? The Canadian Bar Review*, 31, 10, December, 1953, p. 1114.

E. Labour Productivity in the Agricultural Machinery Industry

62. The following statement, particularly in its economic definition and formulation, will depend to a major extent on a recent book which represents contributions by seven of the most outstanding labour economists and of the Secretary of Labour of the United States.¹ In this work the term productivity is defined as the ratio of output to any or all of the inputs used in production.

63. In this volume Professor Albert Rees of the University of Chicago states:

It is now generally well realized that output per man-hour does not necessarily reflect the contribution of production workers to changes in efficiency. It can rise because production workers work harder or are more skilled. However, it can also rise because more capital or more non-production workers are used per production worker. It can rise because of the improved quality of purchased materials or because of an increase in the ratio of purchased materials to final output. And, most likely of all, it can rise because of technological change.

Depending on its source, a gain in output per man-hour may or may not imply that real wages should rise. In general, we expect that in the sectors of the economy where output per man-hour rises least rapidly, wages will outstrip this measure of productivity, so that they will stay roughly in line with wages for workers of equal skill elsewhere in the economy. Where output per man-hour rises most rapidly, we expect wages to lag behind it. Some of the productivity gain will go into lower relative prices, and thus be shared with the consumers of the product.²

64. These points are made here not only because of their bearing on the statistical analysis which follows, but also to clarify the economist's position in the face of contrary views frequently expressed by organized labour in wage bargaining.

65. Dr. John W. Kendrick states in the same volume that the most commonly used measure is output per man hour. He writes that such a "partial productivity ratio does not indicate changes in the efficiency of the particular input, nor (sic) of the productive process generally" (p. 40). A partial productivity ratio in this sense represents a residual productivity to a single factor after other factors have been credited with productivity corresponding to their prices in the market. Kendrick states that "economies in the use of an input may result from increasing efficiency of production generally, or it may reflect changing proportions of inputs (resulting from changes in technology or the relative prices of the inputs). In the latter case, the use of one input per unit of output may be reduced merely because the use of another input is increased. For example, installation of new automated equipment may reduce the need for machine tenders and other production workers per unit of output, but the requirements for maintenance workers may go up as does the value of equipment used in constant prices. In other words, maintenance workers and capital have been substituted for production workers" (p. 40).

66. Partial productivity measures have general validity when labour costs represent a high proportion of value added in the production process. Their validity drops as the labour factor becomes less important in the production process. In the agricultural machinery industry in Canada over recent years the earnings of production workers have accounted for about 20 per cent of

¹ Myers, Charles A. (Ed.), *Wages, Prices, Profits, and Productivity*, The American Assembly Columbia University, New York, 1959.

² Myers, *op. cit.*, p. 21.

the value of final product. For this reason it is impossible to assert that the results arising from a partial imputation of output has any particular validity.

67. According to Dr. Kendrick (p. 40), increases in total productivity reflect primarily (1) technological progress; (2) economies of scale; and (3) more efficient rates of utilization of capacity. But he notes again at this point that changes in partial productivity ratios reflect factor substitutions in addition to the three variables listed. He goes on to state that the main element in the advance of productivity is technological innovation and points out that "research and development outlays have increased steadily in relation to sales for some decades, and so have the number of scientists and engineers as a proportion of the labour force" (p. 41). This would certainly be true of the agricultural machinery industry.

68. Respecting partial productivity measures he states that "unfortunately, these measures are popularly called indexes of 'labour productivity' but despite the connotation, they do not measure the efficiency of labour in the sense of the effort or skill of this factor alone. In fact, changes in labour efficiency as such have probably had a minor influence on changes in productivity" (p. 41).

69. Dr. Kendrick goes on "since World War II there has been a distinct decline in the production workers as a proportion of all employees or persons engaged in manufacturing. Since output results from the efforts of all persons engaged, output per production-worker has an upward bias as an efficiency measure" (p. 42).

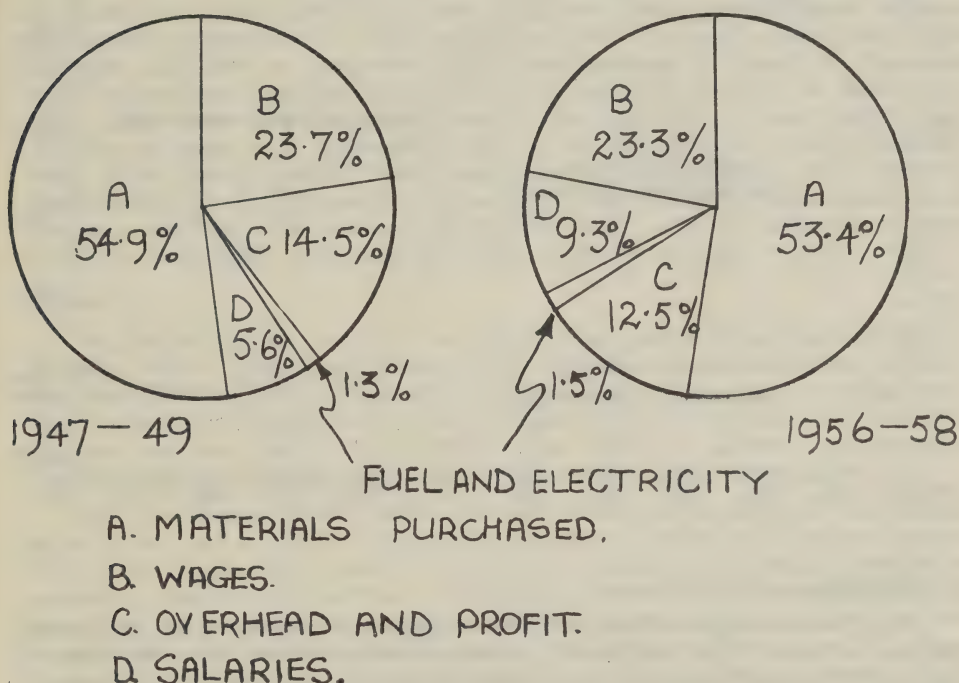
70. In the case of Canada it is impossible satisfactorily to work through even a partial imputation of labour productivity for the reason that we do not have data on capital assets used in the industry—these being needed if we were to perform this task. If we assume value of capital invested in the agricultural machinery industry in Canada today is 125 million dollars (it was 103 million dollars in 1929 and 58 million in 1939, the last data available) then with ten per cent before taxes as the cost of capital and an annual depreciation rate of $7\frac{1}{2}$ per cent, the annual capital charge for using these resources would be approximately 21 million dollars. In addition to this it requires about 12 million dollars to cover the cost of salaries. Out of a 60 million dollars value added figure we would make an imputation of about 27 million dollars as the contribution of production workers. This exceeds somewhat the total wage payments in the industry.

71. The foregoing paragraph represents a very rough illustration of what is involved in imputing labour productivity in this industry based on the present level of output. It is not suggested that the figures have any real quantitative significance. But they serve the purpose of showing that it is necessary to take account of capital cost, and thus not impute to labour the share properly ascribable to capital. This is frequently done when partial productivity measures are used.

72. Figure III presents data which accounts for the distribution of the industry's gross selling value between the factors that are employed. These data are presented as three year averages for 1947-49 and 1956-58—this being done to overcome the discrepancies which would arise in using annual data. There is considerable variability from year to year in these data. The only significant difference in shares over the period has been in salaries and in overhead and profit. The former has risen, very likely due to the increase in the numbers of engineers and technicians employed as the industry moved toward automation and as it expanded its research programme. Further, as Dr. Kendrick noted,

automation requires a substitution of salaried control and managerial employees for production workers. The other category, overhead (taxes, interest, depreciation, etc.) and profits declined as a share of gross industry output over the period.

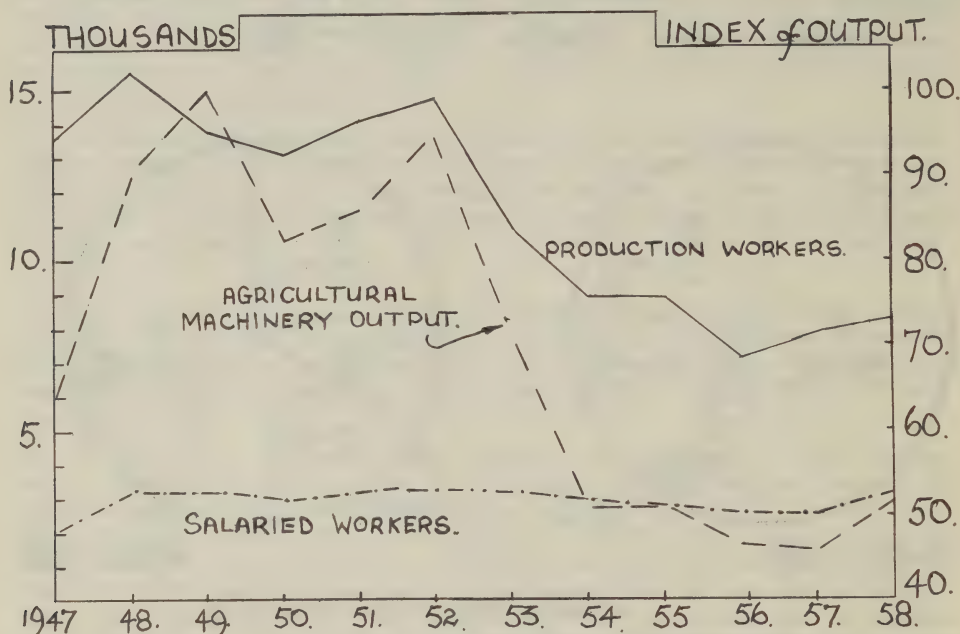
FIGURE III: THE AGRICULTURAL MACHINERY INDUSTRY, SHARES IN TOTAL OUTPUT, 1947—49 AND 1956—58



73. Over the period since 1947 the output of the industry has declined severely, with output in recent years running at about one-half of the level of 1949. This fact is shown in Figure IV. Over the same period, as noted, the number of production workers declined by 40 per cent and salaried workers by 17 per cent.

74. Finally on the matter of labour productivity, as we have already noted (p. 17), productivity in the Canadian agricultural machinery industry was computed for the Royal Commission on Canada's Economic Prospects at 32 per cent less than that of workers in the United States industry. This more than offsets the wage differential of 27 per cent favouring American workers. It would seem apparent that the Canadian industry has lagged behind that of the United States in modernizing manufacturing facilities. Increased labour productivity would seem urgently required if the Canadian industry is to maintain and expand its share of the American market for farm machinery.

FIGURE IV: CANADIAN AGRICULTURAL MACHINERY INDUSTRY, PHYSICAL VOLUME OF OUTPUT, AND NUMBERS OF WORKERS. 1947 — 1958



F. Marketing and Distribution

75. For an analysis of one of the most important aspects of the production and sale of agricultural machinery, we are virtually without data. We refer, of course, to the marketing and distribution aspects of the industry. In view of the interest in this subject, your Committee might very well consider recommending that the Dominion Bureau of Statistics collect information on this subject.

76. One of the major changes that has occurred over the war and post-war years has been the shift from an agency or consignment basis of selling to a dealership basis. This change has involved a very substantial reduction in the number of retail outlets, and the corresponding increase in the services rendered by the dealer. This has been particularly notable with respect to the numbers of parts stocked by dealers and with respect to making available comprehensive repair service facilities. This has, of course, meant that farm machinery dealerships have become fairly highly capitalized businesses.

77. The only public information available on distribution costs to the knowledge of the present writer is that which was reported to this Committee by the Canadian Federation of Farm Equipment Dealers. This organization stated that the gross margin of the farm machinery dealer was 18.67 per cent (p. 19 of brief). While the matter is not clear, it seems that this figure may

not include freight charges paid by the dealer. If so, it would seem that the total distribution margin might approach 25 per cent.

78. However, such gross margins are generally calculated as the difference between the price, exfactory, and the suggested retail price. It is well known that by cash discounts, inflated trade-in values, and other pricing devices that marketing margins computed as above are not realized in today's buyers' market. To this extent the Dominion Bureau of Statistics index which shows a 101 per cent increase in the price of agricultural machinery since 1947 is somewhat unrealistic, since it is computed from data provided by manufacturers, in contrast to representing actual transactions. The United States Department of Agriculture in its retail prices series secures the data from dealers. In that country retail prices have increased by 21 per cent between 1952 and 1959; in Canada the corresponding increase is 27 per cent. The actual increases paid by farmers over this period of years in Canada may be considered to have been about comparable to those which occurred in the United States. The Canadian data tend to overstate actual price increases in Canada in the sense that trade-in machines have risen with the trend in agricultural machinery prices. Thus the net outlay to a farmer in the purchase of a new machine has not risen as much as is suggested by the index. Farmers also make an adjustment to the rising price of farm machinery by reconditioning and repairing used machinery. Thus Professor Cromarty in referring to periods of low farm income states that "the dealers interviewed said that the turnover of used machinery was faster. Also, less of it reached the scrap pile."¹

G. Profits

79. Respecting the profits of the American agricultural machinery industry, Whitney states: "From 1947 through 1952 (which most people in the industry would describe as their golden age) the return on net worth of large agricultural implement companies (ranging between ten and 12 in number) averaged 13.2 per cent and from 1953 to 1955, 7.5 per cent—as against a more stable 15.5 and 14.2 per cent for more than 1,500 manufacturing concerns."²

80. The Woods-Gordon report on the Canadian agricultural implements industry sets out in exhibit 4, page 41, The Sales, Capital and Surplus, Funded Debt, Profit Before Taxes, and Net Profit After Taxes for four major implement companies which have factories in Canada. These are on a consolidated basis for all the operations of the companies and do not refer to Canadian operations alone. These data covered selected years from 1939 to 1955. Table IV brings up to date the financial data presented in the Woods-Gordon Report. It is regrettable that comparable data are not available continuously since 1947. However, the tabulations for the Woods-Gordon Report were adapted for that Commission and it would have occasioned more time than was available to have the Companies prepare such a continuous series. As will be noted from the data in these tables, while sales as expressed in dollar terms have generally increased over the period since 1954 profits have shown a variable record. It should be noted further that the great expansion of sales by Massey-Ferguson over the period is largely accounted for by expansion of operations outside North America.

81. Perhaps a more useful view of profits is possible if comparisons are made between this industry and other secondary Canadian industries. The Dominion Bureau of Statistics presents such a series of data in the *Canadian Statistical Review*. These are summarized in Figure V. The upper line in this chart shows the dollar profits of all secondary industries in Canada after

¹ Cromarty, *op. cit.*, p. 35-36.

² Whitney, *op. cit.*, p. 254.

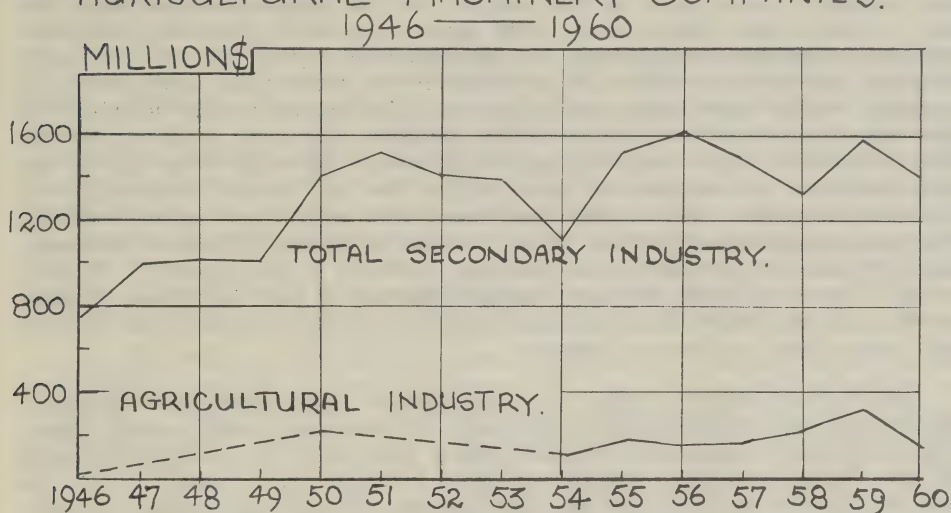
TABLE IV

SUMMARY OF CAPITAL INVESTMENT AND EARNINGS OF PRINCIPAL AGRICULTURAL MACHINERY COMPANIES THAT OPERATE PLANTS IN CANADA AND IN THE UNITED STATES

(thousands of dollars)

Company	Year	Sales	Capital and Surplus	Funded Debt	Profit Before Taxes	Net Profit After Taxes
		\$	\$	\$	\$	\$
INTERNATIONAL HARVESTER COMPANY—						
United States and Foreign Operations.....	1939	—	331,342	—	9,536	7,953
	1946	—	491,151	—	28,838	22,326
	1958	942,601	614,551	—	115,215	66,715
	1954	994,074	715,504	100,000	62,354	36,304
	1955	1,165,785	743,955	100,000	102,251	55,501
	1956	1,563,678	913,795	135,360	121,146	62,519
	1957	1,531,811	937,259	140,486	111,239	56,930
	1958	1,428,636	950,136	136,955	95,202	46,343
	1959	1,725,668	999,583	140,695	170,096	84,300
	1960	1,683,350	1,021,198	144,024	112,684	53,718
DEERE & COMPANY INC.—						
United States and Foreign Operations.....	1939	—	84,398	—	9,753	7,627
	1946	—	129,368	19,500	18,029	9,566
	1950	307,749	193,397	19,500	76,757	42,757
	1954	295,586	306,444	67,100	41,120	20,620
	1955	339,576	319,220	66,114	57,036	28,336
	1956	313,572	327,063	65,476	33,358	20,058
	1957	388,146	341,865	64,695	62,182	28,682
	1958	472,613	313,985	117,120	94,568	42,068
	1959	551,110	349,036	114,995	101,951	48,451
	1960	478,340	352,987	113,451	31,753	17,753
MASSEY-FERGUSON LIMITED—						
Worldwide Operations.....	1939	21,046	18,144	11,000	885	705
	1946	72,393	23,052	15,000	4,376	2,126
	1950	164,128	50,740	33,500	33,816	17,541
	1954	297,732	86,956	47,220	15,594	7,194
	1955	285,744	111,933	44,936	13,396	7,521
	1956	372,129	154,647	75,889	7,734	3,159
	1957	412,411	145,001	75,291	(-4,512)	(-4,737)
	1958	440,109	153,259	71,128	21,712	13,025
	1959	475,544	193,901	96,983	27,164	21,018
	1960	490,414	200,927	93,649	21,142	13,154
COCKSHUTT FARM EQUIPMENT—						
Canadian and United States Operations.....	1939	—	7,886	—	70	57
	1946	—	8,637	—	503	362
	1950	40,000	17,666	4,625	5,510	2,033
	1954	30,666	23,226	10,437	(-3,102)	(-1,920)
	1955	32,230	23,102	9,879	(-320)	(-599)
	1956	34,268	18,997	9,076	973	630
	1957	34,302	19,312	8,341	584	294
	1958	38,182	19,337	8,672	317	137
	1959	38,720	21,207	7,915	2,103	1,813
	1960	38,790	22,639	7,107	1,336	1,300

FIGURE V: PROFITS BEFORE TAXES, CANADIAN MANUFACTURING INDUSTRY AND FOUR AGRICULTURAL MACHINERY COMPANIES.



taxes, while the lower one represents the consolidated net profits of the four companies considered above. No particular observation is required of the interpretation of this chart.

IV. AGRICULTURAL MACHINERY IN THE CANADIAN FARM INDUSTRY

A. The Growth of Demand and Output in Agriculture

82. The role of agricultural machinery in the Canadian farm economy can be understood only against a knowledge of some background of the Canadian farm economy, and particularly of the difficulties which have been confronted by the industry over the post-war years.

83. The origin of the low income problem of Canadian agriculture lies very much in the slow growth of demand for farm products over the past decade or two. One of the most powerful influences at work in the economy has been the tremendous growth of aggregate incomes on a national level. This is measured in terms of the disposable income in the hands of householders and consumers which rose from 5,555 million dollars in 1941 to 11,849 million dollars in 1960. On a per capita basis, the increases in income have been from 438 dollars in 1941 to 881 dollars in 1949, increasing to 1,408 dollars in 1960.

84. While this phenomenal increase in incomes has been of greatest advantage to almost all industries in the Canadian economy, it has been of little assistance to agriculture. It has been proved many times that for every one per cent increase in disposable incomes, expenditures on food, measured at the farm gate, expand only by 0.2 per cent. The influence of the slow growth of the demand has been put very forcibly by Professor T. W. Schultz, of the University of Chicago, who has stated that if the increase in demand for farm products over the period 1940 to 1955 had been even half as fast as that apply-

ing to non-food products, there would be no surpluses in the United States today and incomes in agriculture would be much more comparable to those earned by workers in non-farm occupations.¹

85. The implications of the slow growth of demand for farm products has been strongly accentuated by the structure of the agricultural industry. By this is meant that this industry with several hundred thousand individual units and depending very largely on self-employed labour has not been able to place any significant restraint on output in the face of the slow growth of demand. While there have been important adjustments in the structure of the industry reflected in changes in the numbers and sizes of farms, in the capital structure of the industry, and in the labour force, the burst of productivity over the war and post-war years, higher than any major Canadian industry over the period 1945 to 1955, has meant that output has outrun demand. And the expanding production of farm products has fallen on inelastic demands, both of price and income, with a resulting weakness in farm prices. A further factor in accounting for the farm income situation is that the prices of some of the most important Canadian farm products are determined in world markets over which we have no control.

86. Another way to state the farm problem is to assert that Canadian agriculture almost continuously produces surpluses or barely avoids them. This chronic problem arises from the conflict created by the vast improvement in farm technology while demand for farm products grows slowly. Since the pre-war 1935-39 period, there has been almost a 50 per cent increase in agricultural production. But this increase has come about with a 40 per cent reduction in agricultural labour. The increased output is produced with little or no increase in land. This improvement in technology is strikingly illustrated in the fact that each worker in agriculture has at his command today about three times as much machinery as he had even twenty years ago—and much better machinery.

87. But development in agricultural machinery represents only one aspect of changing technology. Significant advances are represented in the introduction of rust-resistant wheats; valuable hay and pasture crops have been adapted to our north temperate climate; new hybrids and new machinery have adapted commercial corn grain production to parts of Canada. And these developments have been paralleled by greatly increased knowledge of the value of fertilizers and by striking advances in chemicals for controlling weeds, insect pests, and plant diseases. Taken together, these developments have considerably more than doubled the physical output per worker in the past 20 years—an achievement unequalled in any other major Canadian industry. A Gordon Commission research shows that, in terms of real value productivity, output per worker in agriculture increased by 80 per cent over the period 1945-1955. The gain by non-farm industry over the same period was about 20 per cent.² In the case of the United States, production per man hour in food grains has more than trebled since 1935-39 and doubled since 1947.³ Gains in productivity in Canada may be judged to be of the same general order. These rapid shifts, accompanied by the sharp decline in the labour force suggest that, far from being an intractable industry subject to little change, agriculture has the capacity on the production side for rapid change. This capacity remains with us and will be most important over the next generation.

¹ *Policy for Commercial Agriculture*, U.S. Congress, Joint Economics Committee, 1957, p.4-5.

² Wood, Wm. and Scott, A., *Output, Labour and Capital in the Canadian Economy*, Ottawa, The Queen's Printer, 1958, Appendix F, Ch. V.

³ *Changes in Farm Production and Efficiency*, U.S.D.A. Statistical Bulletin No. 233, 1960, p.42-3.

88. In contrast to these swift adjustments in farm production, the market for farm products, or the demand for food, advances only slightly faster than the number of mouths to be fed. While the 57 per cent increase in Canadian population over the past 20 years has been rapid, farm production has kept pace with demand, and for some products run ahead of it. The result: actual or threatened surpluses.

89. It is a fact that a large part of any increased income in the hands of the non-farm family goes to automobiles, deep-freezes, television, chamber music and fishing trips—and little to food. Thus, while the economic development and increasing wealth of industrialized countries provides rapidly expanding markets for these non-farm industries, this is not true for agriculture. To the farm industry, the major significance of these factors is in a general shift toward better quality and more highly priced agricultural products. Accompanying the slow growth of domestic demand, and important in accounting for the lagging incomes of Canadian agriculture, is the impact on our exports of the growth of agricultural protectionism in the United Kingdom and Western Europe, and dumping of agricultural surpluses by the United States government.

90. Not only are farmers confronted with markets which expand slowly in response to secular change in incomes, but they also face the inelasticity of response to change in price. The price elasticity of demand for farm products at the farm level is generally low. Low elasticity means that moderate changes in output give rise to wide sweeps in prices. This is a major factor in accounting for the instability or the erratic fluctuations in farm prices. It also means that the production of large crops falling on inelastic demands can be disposed of only at low prices. In the case of Canada, this factor more than any other has led to government action in agricultural marketing.

B. The Pricing System in Agriculture

91. We must ask the question: Can the free market satisfactorily cope with the situation involving rapid production or technical changes pressing on a slowly growing demand? We must answer this question in the negative. This is the conclusion of an authoritative research paper by John Brewster and Howard Parsons of the United States Department of Agriculture.¹ The free market assumes that factor inputs and product can be adjusted fairly quickly—lay off workers, close a plant, meet demands out of inventory.

92. While there has been a great mobility (out-migration) of farm workers and a vast change in the capital structure of the industry, they have not been sufficient to lead to farm prices yielding to labour and capital employed returns comparable with those of similar resources employed in alternative occupations. Nor (1) because of the nature of the economic organization of the industry (involving some half-million production units using self-employed labour to a very great extent) and (2) because of the biological processes implied in farm production, processes which often require years to run their course, it is not possible to render output sensitive to fluctuations in demand. Lord Keynes, addressing himself to the question of effectiveness of the private market in pricing raw products, states that this market so abhors a surplus that it would ruthlessly tear apart the structure of prices rather than admit a surplus.²

93. Let us summarize by stating what seems an obvious conclusion. The free market pricing system will not yield returns to labour and capital factors

¹ "Can Prices Allocate Resources in American Agriculture", *Journal of Farm Economics*, XXVIII, 1946, p. 938-960.

² "The Policy of Government Storage", *Economical Journal*, 48: 191, p. 451-2.

employed in agriculture returns comparable to those earned by similar resources in other industries. The reasons have been indicated: (1) a far from exhausted burst of technology; and (2) the slow growth of demand. To achieve comparable returns for production factors in agriculture, the exodus of people from the land and the retirement of land itself would have to be on such a vast scale that we would scarcely conceive its non-economic consequences.

C. Financial Returns in Agriculture

94. Financial returns to farmers which have seldom exceeded two-thirds those received by workers in other industries have drifted downward over the past ten years. They are now about 40 per cent as much per worker as those in non-agricultural employment. This presents a situation which is intolerable to farmers and clearly not consistent generally with Canadian standards. It has also reached a point where the hardships inflicted on many farm families should be a matter of greater national concern.

95. Over the period since 1947, as indicated in Table V, farmers have been confronted by an almost continuous and substantial increase in the cost of goods and services used in production and in prices they pay as consumers. On the other hand, farm prices have in no measure responded to the buoyant post-war conditions. Net farm incomes have generally drifted downward, particularly when measured in real terms.

TABLE V
FARM PRICES, FARM COSTS, AND INCOME COMPARISONS, CANADA, 1947-60

Year	Farm Prices 1949=100	Farm Costs 1949=100	Consumer Price Index 1949=100	Net Farm Income Current \$ Millions	Net Farm Income, Constant 1949 \$ Millions	Agricultural Labour Force, Thousands		Net Farm Income per Unpaid worker, Current \$*	Net Farm Income per Unpaid worker, Constant 1949 \$*
						Paid	Unpaid		
1947.....	84	77	85	1,130	1,333	120	1,005	866	1,019
1948.....	100	90	97	1,554	1,602	133	967	1,302	1,342
1949.....	100	100	100	1,416	1,416	143	939	1,167	1,167
1950.....	102	103	103	1,220	1,185	111	912	950	922
1951.....	116	113	114	1,937	1,704	100	843	1,796	1,575
1952.....	107	119	116	1,919	1,648	111	784	1,915	1,651
1953.....	98	118	116	1,644	1,424	113	750	1,623	1,399
1954.....	93	116	116	1,025	882	121	763	789	680
1955.....	91	117	116	1,290	1,108	106	719	1,195	1,030
1956.....	90	121	118	1,458	1,234	102	679	1,508	1,278
1957.....	92	125	112	1,058	867	96	655	940	839
1958.....	95	127	125	1,353	1,082	97	628	1,404	1,123
1959.....	94**	132	126	1,206***	957***	109	594	1,200***	952***
1960.....	94**	135	126	1,352***	1,066***	110	579	1,480***	1,175***

SOURCE: D.B.S.

* Return per unpaid family worker in the agricultural labour force after an allowance of five per cent interest on owned investment.

** Preliminary.

*** Will be adjusted upward by C.W.B. payments.

96. The cost-price squeeze about which we hear so much is measured roughly in terms of the fact that farm prices have declined about five per cent since 1949, while farm costs have increased more than one-third. The impact of rising farm costs has become more severe as purchased production components have become relatively more important in the farm industry. It is estimated that these have increased from less than 30 to more than 50 per cent of total costs over the period 1940-1960. This, as well as the deteriorating cost-price relationship, is reflected in farm incomes over the past ten years.

97. In contrast to the situation described for agriculture, the position of workers in the non-farm economy has generally been very satisfactory. Wages

and salaries, on a per worker basis, as indicated in Table VI, have increased by 104 per cent, and by 28 per cent in real terms. While the farm industry has been confronted with a reduction of one-third in the labour force over the decade, the number of workers in non-agricultural employment rose by 33 per cent.

98. Comparisons such as those presented are open to substantial criticism in that they tend to overstate the real income position of farm workers. For instance, the farmer generally faces neither time nor expense in getting to and from farm work. Farm products consumed in the home are valued at farm level and thus involve no marketing charges. Further, these prerequisites may

TABLE VI

INCOME COMPARISONS: THE NON-FARM SECTOR, CANADA, 1947-1960

Year	Wages and Salaries, Current \$ Millions	Wages and Salaries, Constant 1949 \$ Millions	Non-Agr. Labour Force, Thousands	Wages and Salaires per Worker, Current Dollars	Wages and Salaries per Worker, Constant 1949 \$
1947.....	6,268	7,392	3,687	1,700	2,004
1948.....	7,282	7,507	3,764	1,935	1,995
1949.....	7,865	7,865	3,846	2,050	2,050
1950.....	8,484	8,244	3,979	2,132	2,072
1951.....	9,943	8,744	4,178	2,380	2,093
1952.....	11,034	9,471	4,304	2,564	2,201
1953.....	11,936	10,334	4,401	2,712	2,348
1954.....	12,269	10,558	4,380	2,801	2,406
1955.....	13,062	11,212	4,560	2,864	2,460
1956.....	14,714	12,459	4,826	3,049	2,582
1957.....	15,822	13,029	5,002	3,163	2,595
1958.....	16,254	12,993	5,010	3,244	2,593
1959.....	17,533	13,860	5,164	3,395	2,684
1960.....	18,329	13,577	5,280	3,471	2,571

SOURCE: D.B.S.

tend to be undervalued. Housing costs are lower. The independence of the farmer and his family as self-employed workers adds to their real income. Allowance for such factors is sometimes arbitrarily made by estimating them to have a value equal to 15 to 20 per cent of farm income. However, even making generous allowance for these advantages, farm incomes are far below those of city workers.

99. One might well ask—how does the farm family exist on such low incomes? The answer is, in part, that it lives on capital. In the calculation of the labour and management returns to farmers in Table V an allowance has been made for interest on owned capital. This averages about 700 dollars per worker engaged in agriculture. While it may and frequently is used to support the farm family, it is clearly not a labour return. The answer is, in part, that the family lives by part-time work off the farm—work in the woods, in fishing, on roads and other public projects, on construction, and in factories. Data on the extent of such earnings are not yet available, but it is known that this is an increasingly important income source, particularly in Central Canada and the Maritimes. It may amount to as much as one-quarter to one-third of net farm incomes. In the United States it is about half as large as net income from farming.

100. The Prairie and the Maritime regions have suffered the greatest reduction in incomes over the post-war years. In the case of the Prairies, this is

related to the great drop in the price of grains and to difficulties in marketing grains which have been produced. For the Maritimes, it is largely a matter of marketing difficulties with major cash crops, apples and potatoes, which are subject to erratic fluctuations in prices and to a general decline in consumption per capita. There is also the important factor of the slow growth of population and incomes in the region. While the situation in Quebec, Ontario, and British Columbia as reflected by income changes over the post-war years is more favourable than in the regions already considered, the position of the farmer in these areas is far from satisfactory. However, they have been able to maintain net farm income expressed in current dollars more closely to 1949 levels. But, this income, expressed in real terms, has declined by some 20 per cent.

D. The Structure of Agriculture

101. Factors of production in the farm industry as in all industries have a degree of substitutability. Thus if we wish to consider the role of agricultural machinery in the Canadian farm economy, it is necessary to examine the major factors which are employed in the industry. Data to permit such an analysis over the period since 1941 are presented in Tables VII and VIII. It will be observed that over the 18 year period there has been a 17.8 per cent reduction in numbers of farms, the greatest decline being in the Maritime Provinces. In only one area, British Columbia, has there been an increase in number of farms over the 18 years, and even there the trend in numbers has been down since 1951.

102. There are available no data providing a distribution of farms by a capitalization criterion—we have only aggregate capitalization by Provinces. This valuable annual series is now available back to 1941. Based on these, on Census data, and on estimates we observe an increase in total capital of Canadian farms of 167 per cent from 1941 through 1959, and an increase in investments per farm of 225 per cent from 1941 through 1959. A considerable portion of this is of course not real, being identified with a doubling of price levels over that period.

103. While British Columbia experienced the greatest increase in capital values over the period this is in part associated with a 9.5 per cent increase in numbers of farms. Ontario and the Prairie region actually led the country in increased investment per farm. Quebec and the Maritimes experienced increases which fell below the national average. The relative decline in Maritime agriculture is strikingly revealed in the capital investment data.

104. With respect to machinery investment which we generally identify with progress in modern agriculture there was more than a trebling of capital investment per farm in all regions from 1941 to 1959. It is recognized that in view of technological developments in agriculture, investments running upward from \$50,000 per farm might well be required (depending on type of farm) to secure all the economies available to the family organized farm. While we have not the data to determine the proportion of farms meeting such a standard, we may conclude that a fair proportion of farms in the Prairies, Ontario and British Columbia meet these standards; and few in the Maritimes and Quebec.

105. Further structural aspects of Canadian agriculture are presented in Figure VI. The upper portion of this chart shows the relationship between the value of farm machinery and equipment and total farm capital over the period since 1941. What is particularly notable is the rapid rise in total capital values from 1945 through 1951. It will be observed in this connection that

TABLE VII
CANADA AND REGIONS

CAPITAL INVESTMENT AND NUMBERS OF FARMS, 1941-1959

Item and Year	Mari- times	Quebec	Ontario	Prairie Provinces	British Columbia	Canada
No. of farms ('000)						
1941.....	69	145	167	275	22	678
1951.....	60	134	150	249	26	620
1956.....	53	123	141	232	25	573
1959*.....	49	118	138	227	24	557
% change 1959.....	-28.7	-18.4	-17.1	-17.2	9.5	-17.8
1941						
Total Capital Million \$						
1941.....	217	741	1,190	1,949	150	4,247
1951.....	398	1,400	2,546	4,705	409	9,459
1956.....	402	1,501	2,740	4,979	451	10,073
1959.....	450	1,693	3,301	5,371	535	11,351
% change 1959.....	107.6	128.4	177.3	175.7	255.7	167.2
1941						
Machinery Investment Million \$						
1941.....	28	85	150	318	15	596
1951.....	69	212	445	1,147	59	1,932
1956.....	84	260	560	1,224	66	2,193
1959.....	87	293	593	1,148	68	2,189
% change 1959.....	214.8	244.4	293.9	261.3	351.0	267.2
1941						
Livestock Investment Million \$						
1941.....	31	112	204	253	21	621
1951.....	89	341	682	830	73	2,014
1956.....	62	257	430	619	55	1,423
1959.....	70	335	611	893	77	1,986
% change 1959.....	123.4	198.2	199.7	253.3	268.9	219.7
1941						
Land and Buildings Investment Million \$						
1941.....	158	543	836	1,378	114	3,030
1951.....	241	847	1,419	2,727	278	5,513
1956.....	256	984	1,750	3,136	330	6,457
1959.....	293	1,605	2,098	3,330	390	7,176
% change 1959.....	85.6	95.9	150.9	141.7	241.1	136.8
1941						

SOURCE: Official D.B.S. data except* which for Canada is a Department of Agriculture estimate; regional estimates, of this item, by the writer.

increased investment in farm machinery accounted for very little of this rise. What was, in fact, occurring during that period was a boom in land values.

106. The rapid rise in the rate of substitution of machinery for land and labour apparently came to an end in 1955. Since that date, as shown in Figure V, the real investment in agricultural machinery per acre of improved land and per worker in Canadian agriculture has been declining. In other words, farmers have over the past five or six years been using less machinery per acre and per worker. In economic terms this should mean that investment in other resources is more profitable. However, as we indicate later, there is much evidence to suggest that this is not true. In fact, we show the contrary to be true. What these data imply is the pinch on real farm income over the

TABLE VIII

CANADA AND REGIONS, CAPITAL INVESTMENT PER FARM, 1941-1959

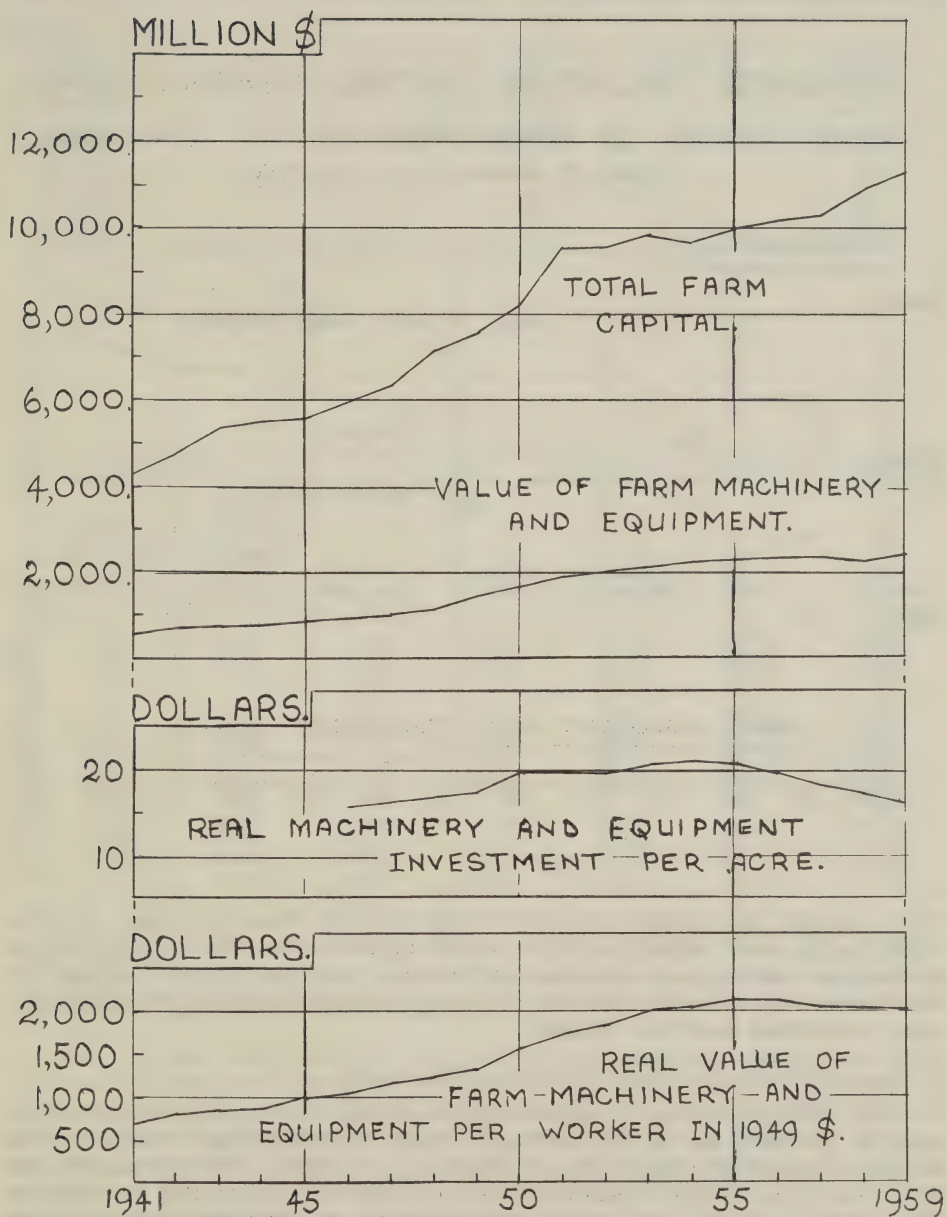
Item and Year	Maritimes	Quebec	Ontario	Prairie Provinces	British Columbia	Canada
1941 (\$)						
Land and Bldgs.....	2,291	3,747	5,007	5,020	5,195	4,472
Machinery.....	400	588	901	1,158	686	880
Livestock.....	452	775	1,221	921	950	971
Total.....	3,143	5,110	7,129	7,099	6,831	6,269
1951 (\$)						
Land and Bldgs.....	4,017	6,307	9,469	10,965	10,534	8,898
Machinery.....	1,142	1,578	2,971	4,614	2,227	3,118
Livestock.....	1,482	2,535	4,548	3,339	2,750	3,251
Total.....	6,641	10,420	16,988	18,918	15,511	15,267
1956 (\$)						
Land and Bldgs.....	4,875	8,028	12,447	13,519	13,340	11,276
Machinery.....	1,589	2,120	3,982	5,275	2,684	3,830
Livestock.....	1,173	2,098	3,059	2,667	2,231	2,485
Total.....	7,637	12,246	19,488	21,461	18,255	17,591
1959 (\$)						
Land and Bldgs.....	5,963	9,000	15,179	14,657	16,178	12,883
Machinery.....	1,766	2,477	4,287	5,054	2,826	3,929
Livestock.....	1,417	2,833	4,422	3,931	3,199	3,566
Total.....	9,146	14,310	23,888	23,642	22,203	20,378
% change 1959-1941						
Land and Bldgs.....	160.3	140.2	203.2	192.0	211.4	188.1
Machinery.....	341.5	321.3	375.8	336.4	312.0	346.5
Livestock.....	213.5	265.5	262.2	326.8	236.7	288.9
Total.....	191.0	180.0	235.1	233.0	225.0	225.0

SOURCE: Derived from Table VII.

period. Few economists or other agricultural specialists would admit that the mechanization of agriculture has run its course. Thus we may expect investment per acre and per worker to resume the upward trend which was so clearly evident until 1955. This is at least suggested by experience in the United States where machinery investment per acre of improved land is more than double that of Canada. The forces which have operated to yield such results in the American economy may be thought of as latent in the Canadian economy.

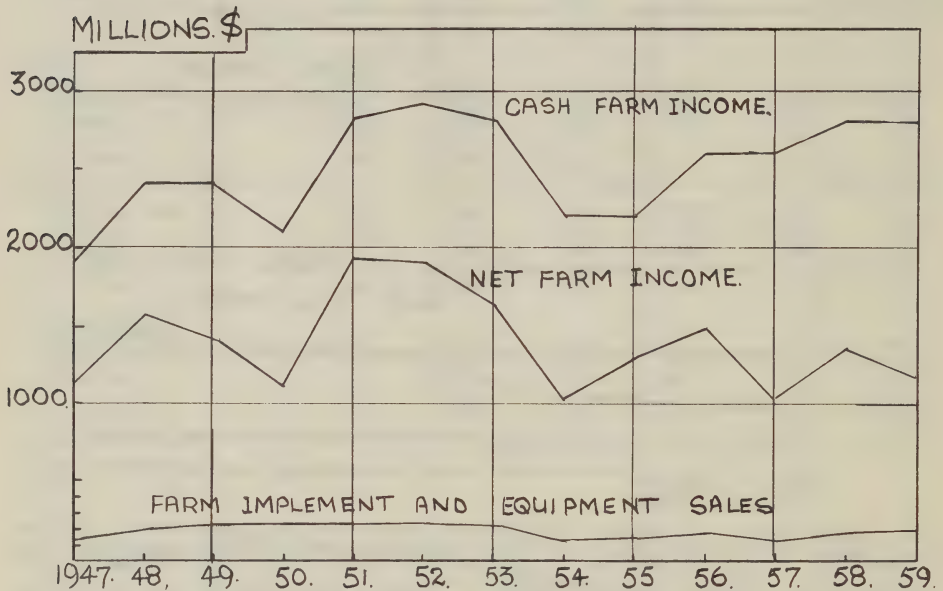
107. Again bearing on the structural character of Canadian agriculture is the matter of the relationship between the sales of farm machinery and farm incomes. The basic data for examining this relationship are presented in Figure VII. This figure shows that over recent years purchases of farm machinery has amounted to some seven per cent of cash farm income and 17 per cent of net farm income. It is notable that purchases of machinery in dollar terms have been fairly constant in the face of declining net farm incomes. The relationship would stand out still more clearly if the net farm income figures were presented in real rather than current dollar terms. The data presented in Figure VII are consistent with those presented in Figure VI which relate to total farm investment, machinery investment, and investment in machinery per acre and per man.

FIGURE VI: INVESTMENT IN FARM MACHINERY AND EQUIPMENT. CANADA.
1941—1959.



108. The sensitivity of expenditures on farm machinery to changes in farm income is indicated in Table IX which relates these expenditures to changes in net farm income. The data presented below show this relationship during periods in which farm incomes were expanding and those in which they were contracting. In general these data bear out strongly the evidence presented earlier that the income elasticity for agricultural machinery purchases is high.

FIGURE VII: RELATION BETWEEN FARM INCOMES
AND SALES OF FARM MACHINERY, CANADA.
1947 ————— 1959.



While during the periods of contracting incomes there was two perverse relationships with respect to farm machinery purchases, one of these relates to the war period, and the other to the early post-war period; in the one case there was an acute shortage of farm machinery, and in the other very large unsatisfied post-war demand.

E. Use and Productivity of Agricultural Machinery

109. The current use of agricultural machinery on Canadian farms is indicated by the purchases of various types of farm implements and machinery over the post-war period. These data are presented in Table X. The Table shows that by far the largest single expenditure item has been on tractors; this was followed by harvesting machinery, very largely made up of combines; the only other important category of farm machinery purchases was in haying machinery. The extent to which mechanization has proceeded is indicated by the 1956 Census of Agriculture which reports that there were 500,000 tractors on 389,000 farms in Canada. The latter figure generally describes Canada's commercial agriculture.

TABLE IX

RELATION BETWEEN EXPENDITURES ON FARM MACHINERY AND NET FARM INCOME IN PERIODS OF EXPANSION AND CONTRACTION

Period	Net Farm Income	Expenditure on Hired Labour	Expenditure on Farm Machinery
Expansion			
1945-1948.....	+79	+20	+165
1950-1952.....	+57	+19	+ 15
1943-1944.....	+44	+ 4	+ 87
1955-1956.....	+13	+ 7	+ 11
Contraction			
1952-1955.....	-33	- 4	- 38
1956-1957.....	-28	+ 1	- 12
1944-1945.....	-24	+ 2	+ 17
1942-1943.....	-23	+ 8	- 41
1948-1950.....	-22	+10	+ 28

SOURCE: D.B.S., official data.

TABLE X

SALES OF FARM IMPLEMENTS AND EQUIPMENT, CANADA, 1947-58

Year	Planting, seeding and fertilizer machinery	Tillage, cultivating, weeding and ploughing machinery	Haying machinery	Harvesting machinery	Tractors and Engines	Misc. ¹	All Types
1947	5,083	14,516	5,688	23,179	42,223	31,706	122,395
1948	7,032	21,298	9,351	36,047	63,065	33,882	170,666
1949	8,138	30,179	10,569	39,088	102,026	27,090	217,090
1950	8,806	28,430	10,610	44,243	98,001	28,097	218,187
1951	9,516	27,962	14,844	58,641	92,662	31,995	235,620
1952	9,151	28,373	17,230	74,336	89,992	31,196	250,277
1953	8,130	27,567	19,787	69,580	85,261	27,725	238,050
1954	5,707	17,845	17,730	26,195	55,168	24,058	146,703
1955	5,340	15,242	19,820	27,564	58,760	26,398	153,124
1956	6,094	15,089	27,245	34,753	63,262	24,324	170,767
1957	6,703	16,797	23,566	23,984	56,651	22,201	149,902
1958	7,104	19,446	26,257	29,851	63,171	26,185	172,014

SOURCE: *Farm Implement and Equipment Sales*. Industry and Merchandising Division, Dominion Bureau of Statistics.

¹ Miscellaneous includes machines for preparing crops for market or use; spraying and dusting orchard or garden; farm wagons, trucks, and sleighs; water systems, pumps and septic tanks; dairy machinery and equipment; barn, poultry and other farm equipment.

110. The best measure of the net contribution which any factor of production makes is marginal productivity. This term is defined as the net return of over and above the cost of applying the service which is contributed by the last dollar of expenditure in the ownership and use of that factor. Before presenting marginal productivity measures it should be noted that to secure statistical estimates of these is a difficult task. The leading economist who measured marginal productivity on this continent is Professor Earl O. Heady of Iowa State University. While he has conducted many studies of marginal productivity over most of the United States, he summarizes his findings in the statement that marginal productivity per dollar of machine crop services on representative samples of farms in Montana is \$2.13; in Northern Iowa is 0.65¢; in Southern

Iowa is \$1.28; and in Alabama is \$1.07.¹ When one dollar invested yields a return over and above the cost of employing that dollar of investment at the levels indicated above this is then a very profitable investment. Studies of marginal productivity over the years have shown investment in machinery to be one of the most profitable that can be made. However, it must be stated that investment in livestock and feed, according to the many studies that have been carried out, generally yields even a higher return. On the other hand investment in labour generally yields a low return, and that in land and buildings yielded little more than the going rate of interest, if that much. But the general implication of these data stand out clearly—investment in agricultural machinery yields returns well above the cost of the investment. In this sense such expenditures represent a highly economic investment. Of course, in such a statement we must recognize that we are extrapolating American data into a Canadian situation—and into a very different situation so far as farm income and expenditure patterns are concerned. Nonetheless, the general trend of farm management studies in Canada supports the conclusion that in most situations further investment in farm machinery would add to net income.

111. All of these studies bear out the fact that mechanization in agriculture has resulted largely from the fact of very large increase in the value of human effort relative to other cost factors. This is reflected in the increase of 443 per cent in farm wages over the period 1941 through 1959. In contrast to these rapid increases in wages, farm machinery which is the most direct substitute for human labour has increased in price by 128 per cent over the same period. The impact of the rapidly increasing value of human effort compared to that of its direct substitute is reflected in the decline in the Canadian agricultural labour force from 1,200,000 in 1941 to 731,000 in 1959. The mechanization of agriculture deriving from this relatively great increase in the value of human effort has resulted in a remaking of the structure of the farm industry and, at the same time, released well over a million workers who have moved to more productive and higher jobs in the non-farm economy.

V. PROSPECTS AND PROJECTIONS

112. Three or four years ago the author of the present paper and Professor John D. Black of Harvard University prepared a projection of Canadian agriculture from 1955 to 1970.² The purpose of the study was to examine the demands which would be imposed on the Canadian farm industry by 1970 and to prepare an analysis of the ways in which these demands could be most economically met. The study was based on a projected increase of 38 per cent in the Canadian population over the 15 year period and an estimated increase in disposable income per capita of 39 per cent.

113. The work proceeded on a basis of estimating the income elasticity of demand for the major Canadian farm products. To summarize the work in a sentence or two, it was projected that the aggregate of domestic and export demands which would be imposed on the farm economy over this period would require a 39 per cent increase in the volume of agricultural production. The projected expansion of requirements for meats was more than 50 per cent, while that for wheat and potatoes was somewhat less than the indicated increase in population. For other products the projection ranged between the extremes indicated. It was concluded in that study that the 39 per cent increase in aggregate farm output required by 1970 would be met with a decline of 15 per cent in the numbers of farms and of 20 per cent in the agricultural labour force. After the passage of some five years since the work

¹ *Resource Returns, Productivity Coefficients in Selected Farming Areas of Iowa, Montana, and Alabama*, Iowa State University Research Bulletin, 425, 1960, p. 345.

² *The Development of Canadian Agriculture to 1970*, Macdonald College, McGill University, 1958.

was completed, the projections made in that study still look fairly reasonable. However, it must be admitted that some of the trends which were projected are occurring at a rate faster than was suggested in the study.

114. Essentially the work with Professor Black projected an increased commercialization of Canadian agriculture—by which is meant that a much larger proportion of the agricultural output of the country would come from moderately large to large-scale efficiently organized family farms. This still appears to be a reasonable prospect for Canadian agriculture, particularly if the growth rates which applied to the Canadian economy over the first ten or 12 post-war years may be expected to continue. It is expected that the Canadian economy will resume the growth rates applicable to that period.

115. The context in which adjustments in agriculture over the next 15 years may be expected to occur are provided in the statement by Professor E. O. Heady of Iowa State University to the 36th Annual United States Agricultural Outlook Conference held in November, 1958.¹

The need for adjustments within agriculture, and between agriculture and other sectors of economy, is now great and well known. It is extremely likely that adjustment pressures and needs will grow over the next decade, as the forces giving rise to adjustment also intensify in effect. The two major forces which cause need for adjustment arise both within the outside of agriculture. First, within agriculture, is the rapid outturn and rate of adoption of new technologies. These new technologies within agriculture, which have increased farm labor productivity by over 40 per cent since 1940, exert pressure towards three major types of adjustments within the farming industry: (1) They call for larger farms, particularly where they represent increased mechanization and allow the family to operate more acres or animals with the same labor force and/or have higher fixed costs and allow lower per unit costs only as the farm is expanded. (2) They allow the same labor force, particularly those representing biological improvements which increase yield per acre and animal, to produce a greater output; or they allow the same output to be produced with a smaller labor force. Since food demand increases mainly at the rate of population increase, and since technology and labor productivity in agriculture have been increasing at a much faster rate, these technologies mean mainly that the "within agriculture force" is causing labor to be squeezed out, or displaced from the industry. (3) They allow a growth in output at a rate greater than the growth in demand, and thus also, suggest a need for shrinking the magnitudes of inputs used.

115. A further statement which has a bearing on the kinds of adjustments which may be expected is provided in a statement to the same conference by Dr. Kenneth L. Bachman.² Dr. Bachman projects an increase of 87 per cent in investment per farm measured in constant dollars over the period to 1975 and suggests that investment in machinery and equipment will rise to even a greater extent. But with the continued rapid rate of decline in farm numbers, the demands on the farm machinery industry would not increase proportionately. It is interesting that he expects that the proportion of capital financed by credit rather than by farmers' savings will increase substantially in the future so as to make the types of adjustments which he projects economically feasible. Again we are suggesting that the types of adjustments projected by Dr. Bachman will likely occur in Canada.

¹ "Private Action to Facilitate Resource Adjustment", U.S.D.A. mimeo, 1958.

² "Prospective Changes in the Structure of Farming."

116. As the agricultural industry becomes more commercialized and as small-scale and subsistence farms become less important it is expected that the industry will produce incomes which will support the increased investments suggested above. However, as noted earlier such projections depend on restoring a growth rate in the Canadian economy which characterized the first ten to 12 years after World War II.

117. Our agricultural projections suggest that the demand for farm machinery over the next ten to 15 years will outstrip population growth. They suggest also that the farm industry will likely move from its present state of undergoing drastic changes to one of greater stability and more adequate financial returns. Such trends will aid the North American agricultural machinery industry by lending a measure of stability to it. But no assurance can be given that Canadian based manufacturing operations will participate fully in any stabilizing of the North American farm machinery industry.

APPENDIX "B"

INTERNATIONAL HARVESTER COMPANY
OF CANADA, LIMITED
HAMILTON, ONTARIO

MAY 26, 1961.

Mr. Clyde Lyons, Secretary,
Standing Committee,
Agriculture and Colonization,
House of Commons,
OTTAWA, Canada.

Dear Mr. Lyons:

On May 12, when we appeared as witnesses before your Committee, the Honourable Member, Mr. Korchinski, asked if we would file with your Committee the percentages of foundry costs for 1960 in comparison to the percentages shown in Report #5, page 298 of the 1937 Farm Implement Price Inquiry. Attached you will find this comparison for both our Grey Iron and Malleable Foundries.

We would like to point out that we have had increases in the Grey Iron from the 1937 Report to the 1960 figures of 3.7 times in material costs, 4.4 times in labour costs and 6.1 times in burden; and in the Malleable we have had increases of 3.6 times in material, 4.3 times in labour and 9.6 times in burden. We wish to point out the reasons for the increases in the percentage of burden from 1937 to 1960 figures.

Our various employee plans, such as pensions sickness and accident benefits, insurance, hospitalization, vacations and others, are considered part of the burden and this represented 5.6% of the burden in 1935 while in 1960 represented 22.3% of the burden.

In 1935 the foundries were not mechanized to any great extent which provided more labour, but between 1935 and 1950 there was some increased mechanization in the foundries which tended to decrease the labour costs and increases the burden. Also, the tonnage in our Grey Iron and Malleable Foundries during most of the ten year period up to 1935 was at peak capacity while in 1960 the tonnage out of both the Malleable and Grey Iron was greatly reduced, this having a great effect on the increase in burden.

Yours very truly,

W. E. JOLLEY.

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED
HAMILTON FARM EQUIPMENT WORKS

Summary of Gray Iron Foundry Production

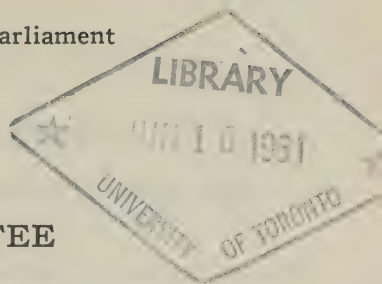
	Material	Production Labor	Prime Cost Material and Labor	Burden	Total
Percentages for 10 years in terms of total cost— 1926 to 1935 inclusive.....	35.29%	36.58%	71.87%	28.13%	100.00%
Percentages for 1960 season in terms of total cost.....	26.32%	32.39%	58.71%	41.29%	100.00%
Hamilton Farm Equipment Works Accounting Department May 18, 1961					

INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED
HAMILTON FARM EQUIPMENT WORKS

Summary of Malleable Iron Foundry Production

	Material	Production Labor	Prime Cost Material and Labor	Burden	Total
Percentages for 10 years in terms of total cost— 1926 to 1935 inclusive.....	29.85%	41.03%	70.88%	29.12%	100.00%
Percentages for 1960 season in terms of total cost.....	21.05%	32.81%	53.86%	46.14%	100.00%
Hamilton Farm Equipment Works Accounting Department May 18, 1961					

14
HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61



STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

Respecting
PRICES OF FARM MACHINERY

MONDAY, JUNE 5, 1961

WITNESSES:

From Cockshutt Farm Equipment Limited: Messrs. R. C. Tees, President;
J. D. V. Adams, Market Research Manager; M. H. McCurdy, Director
of Engineering; G. E. Tinkess, Marketing Co-ordinator; E. R.
Vaughan, Manager of Accounting; J. A. MacDonald, Canadian Sales
Manager.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.
and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Regnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Rompre
Danforth	Korchinski	Slogan
Doucett	Latour	Southam
Drouin	Leduc	Stefanson
Dubois	Mandziuk	Tardif
Dupuis	McIntosh	Thomas
Fane	Michaud	Thompson
Forbes	Milligan	Tucker
Forgie	Montgomery	Villeneuve
Godin	Muir (<i>Lisgar</i>)	Webb—60.
Gundlock	Nasserden	
	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, June 5, 1961.

(28)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Vice-Chairman, Mr. Clifford Smallwood, presided.

Members present: Messrs. Badanai, Campbell (*Lambton-Kent*), Danforth, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Kindt, Korchinski, McIntosh, Mandziuk, Milligan, Montgomery, Muir (*Lisgar*), Pascoe, Rapp, Smallwood, Southam, Thomas, and Tucker. (23)

In attendance: From *Cockshutt Farm Equipment Limited*: Messrs. R. C. Tees, President; J. D. V. Adams, Market Research Manager; Mr. M. H. McCurdy, Director of Engineering; G. E. Tinkess, Marketing Co-ordinator; E. R. Vaughan, Manager of Accounting; J. A. MacDonald, Canadian Sales Manager.

The Vice-Chairman introduced Mr. Tees who, in turn, introduced the delegation from *Cockshutt Farm Equipment Limited*.

Mr. Adams presented the brief on their behalf.

The Committee questioned the officials of *Cockshutt Farm Equipment Limited* on their brief.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING

(29)

The Committee reconvened at 2.40 p.m. The Vice-Chairman, Mr. Clifford Smallwood, presided.

Members present: Messrs. Boulanger, Clermont, Danforth, Doucett, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Korchinski, McIntosh, Mandziuk, Milligan, Muir (*Lisgar*), Pascoe, Rapp, Regnier, Ricard, Smallwood, Southam, Stefanson, Thomas, and Tucker. (25)

In attendance: Same as at morning sitting.

The questioning of the officials of *Cockshutt Farm Equipment Limited* was continued.

Agreed,—That the statement of consolidated earnings of *Cockshutt Farm Equipment Limited* for the years ending October 31, 1960 and 1959 and the Summary of Agreement dated July 13, 1960 between stockholders of N. K. Winston-Sanson Florida Corp. and *Cockshutt Farm Equipment Limited* be made an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "A"*)

Agreed,—That graphs presented in conjunction with *Cockshutt Farm Equipment Limited* brief be made an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendices "B", "C", "D", "E", "F" and "G"*)

At 4.43 p.m. Mr. Boulanger drew attention to the lack of quorum. The Committee recessed for five minutes until a quorum was present again.

The questioning of the officials of Cockshutt Farm Equipment Limited was concluded.

The Vice-Chairman thanked the officials of Cockshutt Farm Equipment Limited for their appearance.

At 5.45 the Committee adjourned until Friday, June 9, at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

MONDAY, 9.40 a.m., June 5, 1961.

The VICE-CHAIRMAN (*Mr. Smallwood*): Gentlemen, the Clerk has informed me we have a quorum.

Before we start this morning, Mr. Muir and Mr. Horner have corrections to make in the minutes of proceedings and evidence of our previous meeting.

Mr. MUIR (*Lisgar*): Mr. Chairman, on page 1007 in minutes of proceedings and evidence No. 12 near the top of the page, I am shown as having said, —“their mark-up on farm implements has remained at 25 per cent”. I believe that should be 20 per cent. I think I have been misquoted.

Further down on the page there is a statement attributed to me which I think Mr. Argue made in answer to Mr. Coburn. On this page the following statement is attributed to Mr. Muir (*Lisgar*), but I am sure it was made by Mr. Argue:

These figures are D.B.S. figures, not your figures, so if somebody is proving the farm implement figures are wrong, it is really the dominion bureau of statistics figures which are wrong.

Mr. Argue is not here to confirm this, but I am sure he made that statement.

Mr. HORNER (*Acadia*): My corrections are in respect of the minutes of proceedings and evidence No. 12 at page 1045. In the 27th line, as it reads now, I am shown as making the following statement:

Has the C.C.I.L. ever considered going into the farm implement manufacturing business—

What I meant to say and what I thought I had said was:

Has the C.L.C. ever considered going into the farm implement manufacturing business—

At the bottom of the page, about the second line from the bottom, the words, “Has the C.C.I.L. ever thought of that?” appear. Again it should read “C.L.C.” I will admit it is a bit confusing, because I was using the two sets of letters.

On the following page, page 1046, at line 28, I was again suggesting to the C.L.C. that they may be the founders of a new manufacturing firm. In this line I am quoted as saying, “with some guidance from the C.C.I.L.”. It should be “C.L.C.”.

Mr. SOUTHAM: In the same proceedings at page 1045 I am misquoted. I think possibly it is my fault; I was speaking too fast. I was referring to a statement by Mr. Burt, wherein he agreed it was in the best interest that labour should sit down to discuss these problems with industry and government. I referred to a statement made by Mr. Knowles in Winnipeg at a time when the Prime Minister had appeared on the same platform. At that time it was my understanding Mr. Knowles had said that the only responsibility he had to labour was to see that they had higher wages, shorter hours and more fringe benefits. I am not so quoted in the statement.

Also, in referring to the Prime Minister's statement which he made on the same platform, I said he pointed out that it is the responsibility of labour

to help solve the problem. At the same time he also pointed over the shoulder of labour at industry and suggested they had an equal responsibility. In other words, he was referring to both segments of our industry. On this page I am not so quoted. I would like to make this correction.

The VICE-CHAIRMAN: Does that complete the corrections?

Today we are pleased to have with us the representatives from the Cockshutt Farm Equipment Limited. We welcome you here, gentlemen. At this time it is my pleasure to introduce to you Mr. R. C. Tees, the president of the company. Mr. Tees will introduce the other members of the delegation.

Mr. R. C. TEES (*President, Cockshutt Farm Equipment Limited*): Mr. Chairman and gentlemen, first of all I would like to say we come here with pleasure to assist in what we believe is an important and vital matter; that is, the idea of looking fully into an industry of such importance and significance to the country as the agricultural industry. We realize that this industry, like practically all other industries in Canada, faces a problem which involves the increased mechanization of industry against an expanding and, in some cases, world market.

The group we have brought here to assist in these proceedings surrounds me. First of all, however, I would like to make one point clear. In the brief which is placed before you, you will notice the different indentations of the margins. Through the kindness of this committee, we were given an extension of time to prepare some expansion material which is easily identifiable in the brief before you by the difference in the margins. The narrower margin is the explanatory and expanded information which has been added in the time made available to us. This perhaps will make it a little clearer to you.

On my right is Mr. M. H. McCurdy, director of engineering—a very important segment of our organization. On my left is Mr. J. D. V. Adams, who is the manager of our marketing research branch. Mr. Adams will present the brief on behalf of Cockshutt Farm Equipment Limited. Then we have Mr. E. R. Vaughan, of our accounting department. He will assist the committee in respect of information. Mr. G. E. Tinkess is our market co-ordinator, and Mr. J. A. MacDonald is our Canadian sales manager.

This is our delegation, and we hope we can be of assistance to you today, gentlemen.

Mr. THOMAS: Are these graphs mentioned here to be included in the record?

The VICE-CHAIRMAN: To which graphs are you referring?

Mr. THOMAS: The brief refers to certain graphs which will be presented.

The VICE-CHAIRMAN: I understand they can be reproduced if it is the wish of the committee.

Mr. THOMAS: I would ask that they be included in the record.

Agreed.

The VICE-CHAIRMAN: Thank you, Mr. Tees. I will now call on Mr. Adams to read the Cockshutt brief to you.

Mr. J. D. V. ADAMS (*Market Research Manager, Cockshutt Farm Equipment Limited*): Mr. Chairman and members of the committee,

BRIEF TO THE STANDING COMMITTEE ON AGRICULTURE
AND COLONIZATION
HOUSE OF COMMONS, CANADA
on

THE PRICES OF FARM MACHINERY

Cockshutt Farm Equipment Limited is pleased to submit a brief to the parliamentary committee on farm implement prices. We hope herein to explain to the committee our views, as a company which produces farm equipment exclusively in Canada, and which sells principally in the Canadian market.

This company does not share the view that the price of farm machinery to the Canadian farmer is unduly high.

The term "high prices" by nature implies exploitation of some group of consumers. Exploitation, gentlemen, is synonymous with excessive profits. May we refer you at this time to the audited profit and loss statement of the farm implement division of our company for the past 10 years, as presented here. These are found at the bottom of the first page of our brief, as follows:

*Audited profit and losses in Cockshutt's farm equipment business and their estimated relationship to retail sales is shown hereunder:

	Net Profit/Loss for Year	% to Retail Volume
1951	\$2,094,000.	4.0
1952	2,717,000.	3.8
1953	781,000.	1.3
1954	<u>2,005,000.</u>	<u>5.6</u>
1955	<u>445,000.</u>	<u>1.2</u>
1956	164,000.	.4
1957	<u>28,000.</u>	<u>.1</u>
1958	<u>89,000.</u>	<u>.3</u>
1959	1,528,000.	3.8
1960	<u>1,215,000.</u>	<u>2.9</u>
Total for ten-year period	<u>\$5,932,000.</u>	<u>1.3</u>

As we study these together may I observe with you that in 4 of the last 10 years, the company suffered sizeable losses.

Should shareholder investment be defined as the sum of capital stock and surplus, reserves for inventories and contingencies, and retained earnings, the ten year average profit represents only a 2.85% return on investment. You, gentlemen, know better than I that many other investments, including your own Government bonds, provide over 5% returns—with a fraction of the risk involved in the seasonal manufacture and selling of farm machinery.

Here, gentlemen, we have a graphic representation of the percentage of return on investment, and the ten-year average. It goes from 11.7 in 1951 to 11.9 in 1952, 3.4 in 1953, a loss of 9.4 in 1954, another loss of 2.1 in 1955, a small gain of 0.8 in 1956, followed by two more losses of 0.1 and 0.5 in 1957-58. In 1959 it is 7.6 and in 1960, 5.6. The ten-year average is only 2.85 return on investment.

GRAPH I. Return on Investment Over Past Ten Years

Now choosing return on manual sales as a measuring stick, we have attempted to calculate for your convenience what this return would be on retail or farmer sales dollars. You will observe that earnings amounted to only 1.3% of retail sales over the ten year period.

As Cockshutt is essentially a manufacturer and wholesaler of farm equipment, we generally measure the return as a percentage of the Cockshutt selling price to dealers and distributors. Would you please note with me this return as a percent to Cockshutt selling price over the years.

Would you please note that this is a return of the Cockshutt selling price, rather than retail selling price.

Graph II. % Profit on Cockshutt Sales to Dealers and Distributors.

Year	Percent
1951	5.3%
1952	5.1%
1953	1.8%
1954	—a loss of 7.5%
1955	— a loss of 1.7%
1956 .....	.6%
1957	— a loss of .1%
1958	— a loss of .3%
1959	5.0%
1960	3.9%

You will note that the percentage profit, on Cockshutt sales to dealers and distributors were as follows:

In 1951 it was 5.3 per cent; 1952, 5.1 per cent; in 1953, as with the return on investment, we begin to drop, and it was 1.8 per cent; in 1954 a loss of 7.5 per cent; in 1955, a loss of 1.7 per cent; in 1956, a gain of .6 per cent on sales; 1957, there was a loss of .1 per cent; in 1958, another loss, in the amount of .3 per cent; in 1959, a gain of 5 per cent, and in 1960 a profit on sales of 3.9 per cent.

On this basis the average ten year return amounts to only 1.8 per cent of Cockshutt dealer and distributor sales.

These earnings have been such that no dividends have been declared for the last six years.

I do not wish to belabour the point for it is self-evident. My only desire is to convey to you the simple fact that Cockshutt's profits have been very low, and measured any way you will—by return on investment or return on sales they are unsatisfactory.

Gentlemen, with profits as those disclosed to you, and having a close association with the farmer, our customer, we can and do appreciate the stringency of his competitive position.

In selling a large portion of his produce in world markets, the farmer must meet or better the prices offered by all countries and recently formed trading blocs.

We also recognize his operating costs have risen.

As we go about our business of providing farm machinery, we are very much aware of the cost-price squeeze affecting much of Canadian agriculture.

We also recognize the desirability of bringing to this distressed segment of the economy some measure of relief.

But it must be borne in mind that the farm machinery industry in this country also sells its products in world-wide competition. The price which Canadian farmers pay for machinery is not dictated solely by domestic issues, such as factory cost increases. Rather, Canadian produced farm machinery has to be sold competitively in the Canadian market with the produce of the

extensive American industry, and with overseas imports. The prevailing prices are those dictated by farm machinery prices the world over.

In business today, gentlemen of the committee, you know world-wide price competition is not idle talk.

I should like to cite an example of what I mean from our own industry. Within the last four years, the 27-33 H.P. tractor market has been taken over by small foreign diesels. Last year the dominion bureau of statistics reported over 5,000 of these units were sold in Canada. This quantity amounted to over 20 per cent of the total number of tractors sold in this country of all makes and sizes. At this time the majority of the major farm equipment companies either manufacture or buy this tractor in another country, for resale in Canada.

At Cockshutt we designed and costed a diesel unit of this class for manufacture in Canada—only to find it was more economical to purchase a model in Italy.

May I draw to your attention the hourly wages paid in manufacturing in foreign competitive countries. *Graph No. III* shows the hourly wage rates paid in foreign competitive manufacturing.

You will note, from the graph, that in the case of Japan, it is 25 cents an hour; Italy, 51 cents an hour; Belgium, 60 cents an hour; West Germany, 67 cents an hour; United Kingdom, 80 cents an hour; Norway, 86 cents an hour; France, the same, 86 cents an hour, and, in Canada, \$1.90 per hour. You will note that Canada's rate is only exceeded by that of the United States, at \$2.25 an hour. These are wage rates, excluding fringe benefits paid in foreign competitive manufacturing.

Mr. DANFORTH: Will you indicate the year?

Mr. McINTOSH: And, the authority?

Mr. ADAMS: Yes. This is quoted from an article taken from the *Financial Post*, and I believe it is August 20, 1960—wages in foreign manufacturing.

Mr. FORBES: What is your authority for your Canadian rate? Is that your factory rate or somebody else's?

Mr. ADAMS: Our factory rate is very close to this. If you would wait a minute, I will tell you the exact rate.

Mr. FORBES: I am sorry to interrupt you, but we have not the graph in our brief here, in order to indicate that later reference.

Mr. ADAMS: I apologize for that. Our problem was that, as we made them big enough to see in the hall, we could not reproduce them down to a satisfactory size, as our camera was not large enough.

Mr. FORBES: Did I understand you to say that the Canadian rate is exclusive of fringe benefits, or includes them?

Mr. ADAMS: It is exclusive of fringe benefits.

To answer your first question, this was taken from the August 20th edition of the *Financial Post*, 1960—Average Wage Rates in Nine Countries.

Our own wage rate, gentlemen, in 1960, excluding fringe benefits, was \$2.09. In 1959 it was \$1.94.

Mr. HORNER (*Acadia*): This is all manufacturing; not only agricultural implements, but all manufacturing?

Mr. ADAMS: This is all manufacturing; the rates I am quoting are farm implement division rates. For the six month period in 1961 it is \$2.17 per hour.

Mr. TUCKER: Is the \$2.17 Cockshutt's rate of pay?

Mr. ADAMS: Yes.

What does this mean to us? This is the foreign picture of wage rates, and the magnitude and rapid increase in imports of foreign farm equipment is

clearly visible in graph IV. Imports increased \$75.5 million between 1958 and 1959—and this is taken from the *Trade of Canada*, volume No. 1. We believe this trend is continuing.

I submit to you, this is price competition in the extreme when manufacture has to be abandoned by the industry in this country. The farmer benefits from this world-wide competition.

We can sympathize with farm spokesmen when they point out as they did in the *Western Producer* on November 3rd, and I quote: "Canadian farmers are asking only that agriculture receive a measure of the consideration which federal governments over the years have given to eastern industries".

But we would seriously question whether, among those industries to which the farmers refer, the agricultural machinery industry could possibly be included.

Production of farm machinery in Canada takes place under circumstances which, in many Canadian secondary industries, might well mean the disappearance of exclusively Canadian producers. Farmers deplore the tariff protection accorded to manufacturing industry, but farm machinery production in Canada has had no tariff protection for 16 years. This is a circumstance almost unique in Canadian secondary industry, and one which places Canadian enterprises in this field at an obvious disadvantage as compared with other secondary industries in Canada.

For instance, electrical manufacturers receive from 15 to 22½ per cent tariff protection on many of their products.

Imported automobiles, other than those receiving British preferential treatment, are subject to 17½ per cent duty. Wearing apparel is dutiable at 25 per cent. Furniture manufacturers receive protection at the rate of 15 to 25 per cent depending upon the classification of the exporting country.

Nor does the farm machinery industry receive the "subsidies" so often decried by farmers when they discuss Canadian manufacturing. In fact, the legislative enactments which bear upon this industry's operation have effects, which more frequently than not, are quite the opposite of encouragement to the industry. Legislative regulations, for example, impose on the industry the costly requirement of carrying repair parts for every farm machinery for a ten-year period after its production has been discontinued.

That this is a financial burden on the companies there can be no denying! At Cockshutt we carry approximately 50,000 parts with an average annual turnover of less than "1"—in fact about "½".

Mr. MUIR (*Lisgar*): What does that "1" and "½" represent? Is that a percentage?

Mr. ADAMS: That is turnover of parts.

Mr. MUIR (*Lisgar*): Once?

Mr. ADAMS: Once a year, or less than once a year.

The quantities required of many of these parts are so small that economical production runs are not possible. To this high cost of manufacture of course must be added that of handling and warehousing for extended periods.

Another legislative enactment, allows the farm equipment companies to use machinery in their plants which is imported duty free, only for the production of farm implements. While this is a concession which the industry appreciates, it nevertheless carries with it a costly restriction against taking on outside work for these machines during the recurring slack seasons which the industry experiences.

Financing of sales is another case in point. The liberal terms of credit under which farm machinery is sold today, and the resulting credit load carried by the selling concerns, in financing both dealers and ultimate buyers, are without parallel in any comparable industry.

While the company supposedly charges a standard rate for farmer credit, competition is so keen that it is necessary to accept many interest free notes. This has the net effect of reducing the actual interest earned to less than 3 per cent of the money loaned.

As an exclusively Canadian producer, we would also point out to the committee, that the provisions of the Farm Improvement Loan Act, while they afford valuable assistance in financing the final sales of farm machinery, are applicable without distinction, to the financing of both domestically-produced and imported goods. This feature is of undoubted benefit to the farmer, but its net effect on the producers of farm machinery in Canada is open to serious question.

Even the matter of crop seasons holds advantages for Canadian farmers, at least in western Canada. The heavy selling season for harvesting machinery is some weeks later in western Canada than in the principal grain growing areas of the United States—a fact which provides the large American companies based in the Chicago and Milwaukee areas with the opportunity of clearing their fall stocks in Canada at sacrifice prices, if they deem it necessary. Sellers of Canadian produced machinery must either meet these prices or forfeit sales entirely.

Now, concerning retail list prices, we would stress that any suggestion which would link the prices which farmers actually pay for equipment with the prices contained in the lists put out in the industry, is erroneous and dangerously misleading. For larger machines at least, the acceptance of farmers' trade-ins as partial payment is now standard practice. Thus the presence of vigorous price competition in the industry is apt to be obscured from the outside observer, since most effective reductions below list price are contained in the trade-in allowances. From our own point of view we do not consider this a particularly desirable form of competition, nevertheless, it is one which has developed.

It might be claimed that Canadian-produced farm machinery could be sold in the United States without difficulty. This is not so now, and never has been. American farmers have traditionally shown a tenacious preference for American machines over those of exclusively Canadian producers, even though the latter be competitive in price and quality. In spite of the fact that there has been no American tariff on farm machinery since 1913, no Canadian producer has ever secured substantial sales in the United States without first acquiring substantial productive facilities in that country. In our own case, we attempted to circumvent this necessity through selling arrangements with the national farm machinery cooperative in the United States after the war. Despite some early success, these have all but broken down in the depressed markets of recent years.

Turning to Graph V you will observe that our percentage of sales in the United States and export markets has dropped substantially in recent years, and is continuing its downward trend.

Among the domestic issues which have contributed to higher costs and prices are sizeable increases in labour, material, freight and taxation. These factors by their nature have affected all manufacturers in the farm equipment industry. Furthermore, they are for the most part beyond the control of our company.

Turning to Graph VI let us observe the relationship among average hourly earnings, average steel costs, farm machinery prices and farm income for the years 1950-1959. Regarding the first of these—labour costs, the dominion bureau of statistics reports that in the manufacture of Iron and Steel products, (in which category is included farm implements), average hourly wages have in-

creased 73.3 per cent from 1950 to 1959. Furthermore, wages have risen since that time, and are expected to continue their upward trend.

Have these gains been inflationary or has productivity kept pace with wage increases?

Recently the U.S. Bureau of Labour reported—the average gain in productivity of production workers in manufacturing was only 3.7 per cent per year. I presume their study would apply throughout North America.

Where then does this leave the implement industry, which must provide so many different tools for the farmer with associated small volumes of each? Much of even this 3.7 per cent per annum increase in productivity is denied the farm machinery manufacturer; for small volumes prohibit costly automation. The wide discrepancy between productivity gains and wage increases must result in only one thing then—higher costs and through necessity higher farm machinery prices.

Regarding material costs, which are an extremely high percentage of the factory costs of farm machinery, a selection of several types of our major material—steel—shows a rise in price of 55.8 per cent in the ten years from 1950 to 1959. This increase in cost has to be absorbed or included in the value of the machine.

Freight rates for carload lots of agricultural implements from Brantford, Ontario to Regina, Saskatchewan rose from \$1.99 per cwt. in January of 1951 to \$2.89 per cwt. in January of 1960—an increase of .90 cents per cwt. or 45.2 per cent.

Property and business tax on our main plant kept pace with this staggering rate of rise, measuring a 75 per cent increase for the years 1954 to 1960.

Gentlemen you can see that while farm machinery prices have increased, this increase is not out of proportion with increased costs. What may be out of proportion is the much smaller increase in gross farm income from the years 1950 to 1959, or in net farm income, which was actually a decrease.

It is evident that costs of manufacture have increased considerably. At the same time Cockshutt has had to meet increasingly intensive world-wide competition.

For the foregoing reasons, far from agreeing that machinery prices are unduly high, we would contend that Canadian agriculture receives the benefits of world-wide price competition in farm machinery, and that these are re-enforced by a number of domestic enactments and circumstances in the market, which, though of assistance to agriculture, may already be taking a serious toll in terms of the volume of farm machinery manufactured in this country.

While genuinely concerned with the present problems of agriculture, we cannot accept the contention that they are attributable to the prices which farmers pay for machinery. Canada's farm equipment manufacturers are also caught in a serious cost-price squeeze resulting from rising costs and competitive pressure on price. From the national point of view, the question of what this will mean to the future of farm machinery production in Canada can surely not be overlooked.

In spite of this, we are not recommending the re-imposition of the tariff on farm machinery, advantageous as that would be to the industry. We recognize the realities of our situation, and are prepared to continue competing on the basis of prices set by world competition. Nevertheless, we do feel strongly that some assistance might be considered for Canadian producers of farm machines. Specifically, we would recommend the following measures of relief to the Canadian farm machine industry for consideration of the committee:—

- (a) Income tax relief on domestic sales for Canadian farm machine manufacturers.

- (b) Amendment of the Farm Improvement Loan Act to provide for some financial encouragement to farmers to purchase Canadian-made machines.
- (c) That harvesting machines imported into western Canada, after a certain fixed date—say June 15th, be subjected to a dumping duty.

We feel that further study along this line is warranted, and if so, the impetus for it might well come from the parliamentary committee on farm implement prices, to which this is respectfully submitted.

The VICE-CHAIRMAN: Gentlemen, we have just heard the brief presented by Mr. Adams. I am sure the committee will agree with me that Mr. Adams was very thorough in presenting to us this brief and we wish to express our thanks to him. The committee is open for questions and Mr. McIntosh has the floor.

Mr. MCINTOSH: Mr. Chairman, I have been trying to get a definition of the term "farm implement" or "agricultural implement". I wonder if Mr. Adams could give his definition of the term "agricultural or farm implement", as used on pages 1 and 15 of this brief.

Mr. ADAMS: Mr. Chairman, as far as farm implements are concerned here, our company manufactures tractors, combines, and many other implements. We consider ourselves a full-line company in farm machinery. There are a number of implements that we do buy and market through our Cockshutt organization but we do manufacture tractors, combines, rakes, mowers, plows, and so on.

Mr. HORNER (*Acadia*): What about truck boxes?

Mr. ADAMS: That is not considered a portion of our farm implement division.

Mr. MCINTOSH: Maybe I did not make my question clear enough. I have been having difficulty with the Department of National Revenue in regard to the term "farm implement" or "agricultural implement", and I cannot get them to accept the commonly used definition as used in legal or standard dictionaries or in any publication referring to "agricultural implement". I am trying to strengthen my case with them. I would like your firm—it does not matter whether it is yourself or some other of these gentlemen—to give me a definition of what they understand an agricultural implement to be.

Maybe to assist you I could give you the legal dictionary definition which is this: A farm implement is defined as "a thing of necessary use in any trade". The word "necessary" is defined as "those things to the doing of a thing which are reasonably required". Our ready reference dictionary says: an implement is defined as "a means or agent for accomplishing a purpose".

The VICE-CHAIRMAN: Gentlemen, I do not think the gentlemen have an answer for you to that question. So I will have to call on Mr. Muir.

Mr. MUIR (*Lisgar*): Before I start my questions, I would like to ask a supplementary question to Mr. McIntosh's. Would you consider a combine cab part of a farm implement?

Mr. ADAMS: A combine cab would be a part of an implement. Our company does not manufacture then.

Mr. MUIR (*Lisgar*): I understand at the present time they are manufactured, and I am wondering what would be your answer to that, as to whether it is part of a farm implement.

Mr. ADAMS: When it is attached as original equipment on a combine, our opinion would be it would be part of a farm implement.

Mr. MUIR (*Lisgar*): It is just when it is brought in separately that it is an implement?

Mr. ADAMS: We would have no knowledge because we do not manufacture them.

Mr. MUIR (*Lisgar*): Do you build snowblowers?

Mr. ADAMS: No, we do not, sir.

Mr. MUIR (*Lisgar*): My first question is on page 2, return on investment over the past 10 years. Would you agree that your earnings on retail sales would appear to be somewhat lower than that of the other manufacturers and industries?

Mr. ADAMS: Mr. Muir, these are our earnings, our percentage of sales and investments. I am not informed enough to speak on those of other companies.

Mr. MUIR (*Lisgar*): I think that other witnesses gave roughly the average figure of 3 per cent on the retail sales.

Mr. HORNER (*Acadia*): One company did.

Mr. MUIR (*Lisgar*): Turning to page 5, how much of your factory efficiency or lack of it is due to automation or perhaps lower man-hour output?

Mr. ADAMS: Very little of our factory—in fact I hazard to guess none of our factories—is what you could consider as automated in the true sense of the word, as employing transfer machines and so on. So automation has not come to our company in that sense, and I doubt very much if it has to come to very many others in the industry.

Mr. MUIR (*Lisgar*): Then you would consider your man-hour productivity perhaps low, would you not?

Mr. ADAMS: We have made attempts to improve it through improved methods. I am thinking of the welding techniques. We have intensively attempted to improve this thing, and have spent considerable sums of money at various times in streamlining the flow of materials and attempting to improve the output per man-hour.

Mr. KORCHINSKI: I have a supplementary question to that. I was wondering whether you had any incentives for workers such as piece workers?

Mr. ADAMS: Mr. Korchinski, that is right, we do have incentives. I would say, calculated on a dollar basis, that about 45 per cent of our production workers are on incentive.

Mr. MUIR (*Lisgar*): When the Canadian labour congress was here before us they presented conclusions that came from the royal commission on Canada's economic prospects in which they pointed out that Canadian wages were 25 per cent lower than those in the United States, while productivity in secondary industry was 35 to 45 per cent. They said that did not apply to the farm machinery industry, but I believe Fullerton and Hampson did say, in the report to the royal commission, that it was 32 per cent below that of the United States. The labour group repudiated the idea that there was any less efficiency or lower man-hour production in Canada than in the United States. Would you agree with that statement?

Mr. ADAMS: I can quote from the Canada 1960 year book which does say that the increase in productivity per man in recent years has been greater in agriculture than in any other Canadian industry, and they say that it was 48 per cent between the years 1946 and 1957. They say that in manufacturing the increase was about 40 per cent.

Mr. MUIR (*Lisgar*): The increase in productivity was about 40 per cent?

Mr. ADAMS: That is what they say. We would seriously question whether this type of thing has happened in the agricultural machinery industry for the reason that our volume is very small, which almost prohibits costly automation, and secondly that we make so many different machines that we are also unable to automate to any large extent for that reason.

Mr. MILLIGAN: Particularly different lines of machines.

Mr. ADAMS: And small volumes of each.

Mr. MUIR (*Lisgar*): May I continue my questioning?

The VICE-CHAIRMAN: If you do not take too much time.

Mr. MUIR (*Lisgar*): I would like to go on with one or two more. The next one has to do with the tariff-free situation farm machinery is in. Would you not agree that not having a tariff on farm implements is an advantage, that it does open up large markets for you in the United States? I mean it does open a potential market, although it has to be farmed or worked upon. Would you not agree that it is mutually advantageous?

Mr. ADAMS: Mr. Muir, our own experience has been that we have been unable to make a great deal of progress in the United States, as we tried to point out. Conceivably, there is a very large market there.

Mr. MUIR (*Lisgar*): I have a number of questions, but I will let them go.

The VICE-CHAIRMAN: I have about twelve names down here.

Mr. HORNER (*Acadia*): I am concerned, Mr. Adams, with your world pattern of trade. You suggested on the graph that 24 per cent of your production was exported. Was this last year or in 1959?

Mr. ADAMS: In 1959 our percentage of sales to the United States was 26.6 per cent. In export it was 5.3 per cent, as opposed to, say, 1954 when our percentage of sales in the United States was 24.8, and in export it was 24.1 per cent.

Mr. HORNER (*Acadia*): In other words, back in 1954, all your exports were going to the United States, whereas today there are only 5 per cent of your exports going to the United States. Am I interpreting the figures correctly?

Mr. ADAMS: I am sorry; it is the other way around. The exports in 1954 to all other parts of the world other than the United States were 24 per cent. In 1959 they are only 5.3 per cent. Our total sales outside Canada in 1954 were 48.9 per cent, whereas in 1959 they are only 31.9 per cent.

Mr. HORNER (*Acadia*): If I understood you correctly, 31 per cent of your sales are export. I do not want to belabour this, but I want to get the figures clearly.

Mr. ADAMS: That is correct. Say 32 per cent, rounding it off.

Mr. HORNER (*Acadia*): 32 per cent of your sales are export, and a very big proportion of that goes to the United States?

Mr. ADAMS: That is right.

Mr. HORNER (*Acadia*): To which other countries do you export? Have you any idea? Australia would be one, I suppose.

Mr. ADAMS: We have exported to Australia, South Africa, South America, Mexico, Morocco and Burma.

Mr. HORNER (*Acadia*): But a smaller amount to these other countries?

Mr. ADAMS: That is correct—of recent years.

Mr. HORNER (*Acadia*): Your export, even to those countries has fallen, has it?

Mr. ADAMS: Most decidedly. It is the place where it is falling.

Mr. HORNER (*Acadia*): What per cent of your sales in Canada here are towards C.C.I.L.? Have you any idea of it?

Mr. ADAMS: Our percentage to C.C.I.L. is quite small. It is only about 8 per cent

Mr. HORNER (*Acadia*): 8 per cent of your production or your total sales?

Mr. ADAMS: Yes.

Mr. HORNER (*Acadia*): If it is 8 per cent, that leaves roughly 60 per cent of your production to your own dealers. Am I right in this?

Mr. ADAMS: That is right. That is 8 per cent of the Canadian sales.

Mr. HORNER (*Acadia*): Of the Canadian sales. That would tend to make it a little bit smaller under world-wide sales, would it not; but then it is relatively close. To clear this up in my own mind, the Cockshutt Farm Implement Company is the owner of, or has the large substantial ownership in the Brantford Coach Manufacturing Company?

Mr. ADAMS: The Brantford Coach and Body Company?

Mr. HORNER (*Acadia*): Yes?

Mr. ADAMS: It is a wholly owned subsidiary of Cockshutt.

Mr. HORNER (*Acadia*): None of these figures you have given the committee today includes this subsidiary—which is coach and body manufacturing?

Mr. ADAMS: That is correct. These are farm implement division figures.

Mr. HORNER (*Acadia*): In the publication issued by Mr. Phillips, on the agricultural implement industry in Canada, issued about 1956, he stated as follows—and I wonder if you could give me some idea as to what he means by this statement:

The Americans are permitted to reap the benefits of government guaranteed credit arrangements in Canada under the Capital Assets Farm Improvement Loans Act, but Canadians selling in the United States are deprived of this advantage.

Have the United States got provisions or legislation similar to the Farm Improvement Loans Act, and are Canadian manufacturing companies permitted to take advantage of it?

Mr. ADAMS: We are not entirely versed on how the selling arrangements or the terms of credit work in the United States. However, it is our belief that there are no such arrangements as we have in Canada under the Farm Improvement Loans Act.

Mr. HORNER (*Acadia*): Do you not think it would have benefited your argument or your recommendation, if you could have given the committee some information along those lines? It would have substantiated or otherwise your argument towards amending the Farm Improvement Loans Act.

Mr. ADAMS: We would be very pleased, Mr. Horner, to find out and forward to the committee the selling arrangements in the United States.

Mr. HORNER (*Acadia*): Thank you.

Mr. DANFORTH: I have four questions of a general nature which will require short answers. May I begin by a general statement. I think I express the feeling of the committee when I say that, although numerous questions may be asked today, that should in no way detract from the credit which should go to this company both in regard to the composition of this brief and its presentation. Under the general terms of the machine company, due to the number of farm machines that you produce or offer for sale, is it true to infer that this company can be classified as a company which represents a full line of agricultural machinery?

Mr. ADAMS: We consider ourselves a full-line company.

Mr. DANFORTH: Yes, under the general classification you are considered a full-line company. Then do you feel, as a company which is classified as such, it puts you in a better competitive position to take a larger part of the market, due to the fact that you do have a full line of production, against the company that is putting out a specified machine and using that as its sole source of revenue?

Mr. ADAMS: Yes, we do. For one thing, from the simple point of maintaining a dealer organization.

Mr. DANFORTH: Since you are one of the few machine companies we are dealing with, which is strictly Canadian in its manufacture, do you feel you would be in a better position to sell a line of equipment, at even lower prices to the farmer, if you had international production facilities?

Mr. ADAMS: We have no experience with that; but under the broad scope of the question, we would think that there would be certain advantages, definitely.

Mr. DANFORTH: May I say my questions are not trick questions; they are of a general nature and should be taken as such. I note that in four years, as illustrated by your graphs, the company showed a definite loss in the farm implement division. Is it possible that that loss could be due, not so much to loss of sales or increased competition, but to major retooling and model change-overs in those four years which would incur tremendously increased expense?

Mr. ADAMS: No, this would not be the case.

Mr. DANFORTH: This is based on definite sales alone. Is that true?

Mr. ADAMS: I would like to give some idea of the sales figures. Our sales either declined or stayed much the same with increased costs in the years of those losses.

Mr. DANFORTH: Could those increased costs be attributed to model change-overs and increased retooling expenses?

Mr. ADAMS: No.

Mr. DANFORTH: On page 15 I note your three suggestions for consideration by the committee, and we appreciate them very much. Has the economics branch of your company made any calculations as to whether, if these three could be implemented, they would reflect any reduction in the costs of agricultural implements to the farmer, or would they simply be benefits to put the company itself on a better or a firmer economic basis in Canada?

Mr. ADAMS: I would like, if I may sir, to talk on the first of these recommendations. It is an income tax relief on domestic sales for Canadian farm machinery manufacturers. We envisaged this, also, as income tax relief for the farmer on Canadian-made machines. It might be termed, for instance, an investment allowance, where the farmer could, on Canadian produced machines, value his machinery at greater than cost, as is done in some other industries, to enable him to have a more advantageous write-off on his machine. In this instance, we feel this would do the farmer a great deal of good, and it would also help ourselves.

Mr. DANFORTH: Could you comment to the same degree on the other two?

Mr. ADAMS: The amendment to the Farm Improvement Loans Act which we have suggested here is put in because we are not aware that any other government finances imported goods on an outright basis, as our government does under the Farm Improvement Loans Act. The adoption of this suggestion would benefit ourselves, but if it did that, it would increase our volume and certainly improve our costs of manufacture. That may also in turn benefit the farmer.

Mr. DANFORTH: Would item (c) not cause any increase in the price of farm machinery to the farmers?

Mr. ADAMS: I do not know if it would cause an increase. It could well cause a shift in the manufacture, and thereby enable us to produce longer runs, with its associated economies.

Mr. DANFORTH: You speak of a shift. What do you mean by that?

Mr. ADAMS: If there were import duties after a certain date, this would prevent other manufacturers, as we say, clearing their fall stocks at sacrifice prices, at our expense.

Mr. DANFORTH: I just do not understand that. Would it not be possible, regardless of what date duties were put on the importation of farm machinery, for other companies to circumvent that by increased shipments prior to that participation?

Mr. ADAMS: Oh yes, it would be; but, of course, this would not be economical for them. It would mean greater volume that could be left in inventory.

Mr. HORNER (*Acadia*): I have a supplementary question. You suggest that American companies are selling at sacrifice prices in the fall of the year. Are they selling to their dealers, or to the farmers at the sacrifice prices? In other words, what evidence do you have to substantiate that statement?

Mr. ADAMS: I think we have no categorical evidence whereby we can say this, but we know that it is going on. You must understand that this is a very difficult thing to substantiate. I shall be frank with you in saying that we do not have "transactionary" evidence of this kind.

Mr. HORNER (*Acadia*): Do they sell to their dealers, in your belief, or to the farmers?

Mr. ADAMS: Some of the companies sell to dealers. We believe they have their selling arrangements; and they may sell to dealers or they may go right to the farmer.

Mr. MANDZIUK: I have a supplementary question. Could you prepare a graph which would show these larger imports of farm machinery from the United States? You mentioned the date of June 15. I wonder if you have any data on that statement?

Mr. ADAMS: No, we do not have it.

Mr. MANDZIUK: I mean data which would substantiate your statement that they are really dumping what is left.

Mr. ADAMS: Our only measure has been the feel of the market in respect to this thing.

Mr. HORNER (*Jasper-Edson*): We have had substantial evidence before the committee that the pricing of farm machinery was in the nature of all the market would bear, and that demand was a major factor in the pricing of farm machinery. Does your company agree with that proposition; in other words, that of the two factors, the cost factor and the demand factor, the demand factor was the important one, and the cost had little bearing on it?

Mr. ADAMS: There is a great deal of competitive pressure on the price. This, we believe, is indicated by the margins of profit that we have shown you today. Of course, costs have something to do with it. You must recover your costs in order to remain in business. On the other hand, competitive pressure of price on a world-wide basis has even more effect on price.

Mr. HORNER (*Jasper-Edson*): I have one more question: with regard to freight costs and transportation, does your company transport any of their tractors to western Canada by truck, or are they all shipped by rail?

Mr. ADAMS: Mr. Horner, it is all done by railroad.

Mr. HORNER (*Jasper-Edson*): Do you have any agreed charges with the railways for the transportation of your goods, or are you paying on them commodity rates, or have you ever applied to the railways for agreed charges through the fact that you are transporting all your goods by railway?

Mr. ADAMS: We do not have any special treatment.

Mr. HORNER (*Jasper-Edson*): Have you ever made an approach to the railways?

Mr. ADAMS: Our traffic department is continually in contact with them. Whether or not there has been an approach made, I would not know. I asked our traffic people for a copy of the rates from Brantford to Regina on a carload of agricultural implements, and those were the figures I quoted in the brief.

Mr. HORNER (*Jasper-Edson*): I appreciate that. On the other hand, some of the American companies are now shipping tractors into western Canada, for example, by these semi-trailer deals, and they claim they are getting substantial saving in freight rates or in transportation costs by moving those tractors to the market in western Canada in that fashion. Do you not think that your company, as a Canadian company, should be investigating the possibility of moving their tractors to western Canada along similar lines, so that once you have that competitive factor you can go to the railways and say: "Will you not meet the competition if you want to continue to haul our tractors?" I suggest that here is a place where you might make a saving.

Mr. ADAMS: The gentlemen who are with me tell me that we are checking on that type of thing. However, we shall certainly be pleased to check it again.

Mr. HORNER (*Jasper-Edson*): Thank you.

Mr. MUIR (*Lisgar*): I wonder if Cockshutt uses the seaway as far as the Lakehead for their shipping?

Mr. ADAMS: No, we do not, with the exception of some products we import, which come into Montreal and Hamilton.

Mr. MUIR (*Lisgar*): Is there not possibility that you could lower your transportation costs? I know it would involve re-loading and warehousing at the Lakehead, perhaps, but I would imagine there would be a substantial saving over the railways.

Mr. HORNER (*Acadia*): Particularly on shipments to Manitoba.

Mr. MUIR (*Lisgar*): Yes, particularly our shipments going to Manitoba. I do not think I have received an answer.

Mr. ADAMS: Your answer would be that this is constantly under review—I mean this question of freight rates—and we will certainly look into the matter.

Mr. MUIR (*Lisgar*): I should think that in the case of Manitoba shipments you could ship them to the Lakehead by water, and then from the Lakehead on by rail. I think there would be a substantial saving.

Mr. ADAMS: We appreciate your suggestion.

Mr. MUIR (*Lisgar*): As long as it is passed on to the farmer, of course.

Mr. MANDZIUK: Fat chance of them doing that!

Mr. PASCOE: At page 13 of your brief you say that freight rates increased in the period from 1951 to 1960 by 45.2 per cent. Would Mr. Adams indicate in what year the greatest increases occurred?

Mr. ADAMS: I can quote you the January figures for each of the years from 1951 to 1960. In 1951 it was \$1.99; in 1952 it was \$2.23; in 1953 it was \$2.42; in 1954 it was \$2.53; in 1955 it was \$2.53; in 1956 it was \$2.36; in 1957 it was \$2.72; in 1958 it was \$2.72; in 1959 it was \$3.17, and in 1960 it was \$2.89.

The VICE-CHAIRMAN: Gentlemen, I see it is just about two minutes before the house sits. This would be a good time to break off until 2.30 this afternoon in the same room, when the floor will be held by Mr. Milligan.

AFTERNOON SITTING

MONDAY, June 5, 1961

The VICE-CHAIRMAN: Gentlemen, I see we have a quorum.

I have a list of approximately ten or eleven members who have questions to ask.

As we will be here for some considerable length of time and, as it is rather warm in here, if any member—and this relates to the witnesses, as well—wishes to take his coat off, he has leave to do so.

Mr. Milligan has the floor.

Mr. MILLIGAN: Mr. Chairman, I, too, like one of the other members, would like to congratulate the Cockshutt people on this brief. I was looking forward to it, and I am not disappointed. I believe you have brought out some very good points in this brief which we should be considering.

I was quite concerned in this connection. A couple of weeks ago I was down to one of the distributors at Cyrville and I noticed a number of Italian tractors on the floor with "Cockshutt" across them. The distributor told me that his biggest sales were in connection with these tractors made in Italy. My question is: Do you find it more profitable to purchase this foreign equipment and wholesale it, than to manufacture your own, or can you not produce the tractor the same as it is?

Mr. ADAMS: I stated in the brief that we designed and costed a small diesel tractor in this class which, granted, utilized much of the tooling of our present small gas tractor. However, with our best effort we could not make one as economical as an imported Italian tractor.

Mr. MILLIGAN: Are you importing any other line of machinery from that same source, besides tractors?

Mr. ADAMS: No.

Mr. G. E. TINKESS (*Marketing Coordinator, Cockshutt Farm Equipment Limited*): We are importing a hay baler.

Mr. ADAMS: But that is not from Italy.

Mr. TINKESS: It is from France.

Mr. ADAMS: We are not importing any other machines at this time from Fiat, in Italy. However, we are importing a baler, as Mr. Tinkess pointed out, from France. This will not be our main line of balers, but a supplementary baler of a new type—low density baling. This is something new which we plan on introducing. We are giving this French baler a try.

Mr. MILLIGAN: Is there another factor there, in that you could retail it for less money than you could produce one in Canada?

Mr. ADAMS: For instance, we could not produce and sell a similar make to this tractor competitively, without importing it from Italy. Therefore, I would have to agree with you.

Mr. MILLIGAN: I think you mentioned about a lesser turnover in parts of 1 per cent, which would make it much more costly. Do you think that this trend which you are adopting of importing machinery is going to cut down to a much lesser degree the percentage of parts, and is that not going to increase the price of parts for machinery due to the fact that you are producing less—and, as I say, if this trend of importing machinery continues.

Mr. ADAMS: Of course, those parts used on imported units are not manufactured by our company; they are imported parts, and by that very nature, the manufacturing profit goes to another country.

Mr. MILLIGAN: I am thinking of the parts for the machine that you are manufacturing in Canada.

Mr. ADAMS: We still make—

Mr. MILLIGAN: But if there was less turnover, are they not going to cost more? I know you mentioned 1 per cent.

Mr. ADAMS: A turnover of only one. The average turnover of these 50,000 parts is less than one.

Mr. MILLIGAN: I was just thinking of the Cockshutt machinery I have. If you do not sell as many parts as you are today, is it not going to be more costly for me to buy a part for my equipment, if this trend continues?

Mr. ADAMS: If you have more and more parts which are not fast-moving, of course these have an effect on fast-moving parts, and ultimately the part will cost more. In this costing of a part, you must look at the whole panorama. You must look at the 50,000 parts we make and sell, and not just the fast-moving ones that these "will fit" people will make. We must make and carry them all, and it costs money to carry the slow-moving ones, as well as the fast-moving ones.

Mr. MILLIGAN: How many years has your old Smiths Falls plant been closed down?

Mr. ADAMS: It was closed in 1955.

Mr. MILLIGAN: Then you just have your distribution in the other plant there, for repair parts?

Mr. ADAMS: At Smiths Falls?

Mr. MILLIGAN: Yes.

Mr. ADAMS: We have a branch in Smiths Falls, yes.

Mr. MILLIGAN: Why did that plant close? Was it because of foreign machinery, or competition?

Mr. ADAMS: I suppose you could say that. We did not have sufficient volume to fill that plant, and we retrenched our manufacturing facilities and moved it to Brantford.

Mr. MILLIGAN: Would you have any idea how many people were employed at that plant when it was in full production?

Mr. TINKESS: Approximately 500.

Mr. MILLIGAN: I know it covered nearly a block. I have been informed it was being torn down because of the taxes being too high.

You mentioned the National Farm Machinery Company in the United States, to which you were supplying machinery. Why did your sales nearly disappear down there? Was it due to some policy the Americans have of controlling products made in Canada from being sold in another market?

Mr. ADAMS: I do not think they have any policy or they probably would not have begun marketing our products. I suppose you could say that it did not turn out to be a very effective way of merchandising farm machinery.

Mr. HORNER (*Acadia*): Are you talking about the National Farm Cooperatives of the United States not being an effective way of marketing farm machinery?

Mr. ADAMS: I was answering a question as to why their volume has slipped so drastically, and it would lead us to believe that there is something the matter in this method of distribution of farm machinery. I believe we had seven cooperatives at one time but now there is only one in operation in the United States.

Mr. MILLIGAN: I asked that question because in paragraph (b) of your summing up you mention the Farm Improvement Loans Act, and I think your suggestion is a splendid one. All of us have been told to buy Canadian, and I think we should practice that. I was wondering, was the United States

doing something along the same principle, since you referred in the brief to the fact that the sales dropped in the United States.

The VICE-CHAIRMAN: Have you many more questions, Mr. Milligan?

Mr. MILLIGAN: I have just one more.

Mr. ADAMS: I might add another point Mr. McCurdy has just drawn to my attention. The market changed considerably from that of a sellers' market to a buyers' market after the piled up post-war demand had been satisfied, and at that time the co-op faded as a merchandizer of farm machinery.

Mr. KORCHINSKI: I have a question relating to graph number V.

Mr. FORBES: Just a minute, Mr. Chairman. This morning when you introduced the witness I did not quite get the position Mr. Adams holds with the company, and that might make some difference. Mr. Adams, what position do you hold?

Mr. ADAMS: Market research manager.

Mr. FORBES: That is the same thing as a general manager?

Mr. ADAMS: No, it is not.

Mr. KORCHINSKI: My question has to do with graph number V. It shows that in 1954 your total exports and world sales were 49.9 per cent of all sales; and your exports to the United States were 24.8 per cent. Then I notice in your statement of profit that Cockshutt took a loss of 7.5 per cent in that year. From that I almost deduce the more exports you have the greater your losses are going to be. Would you care to comment on that?

Mr. ADAMS: I should like to consult the total sales figures for that year. In 1954 our sales in Canada dropped from \$26 million in 1953 to \$13 million in 1954. We must not miss the point that Cockshutt is essentially a Canadian manufacturer and relies for the greater part of its livelihood on Canada.

Mr. KORCHINSKI: But you do have quite a potential market in the United States. You have a fairly steady curve on the graph indicating that in the United States you have a potential market for roughly 25 per cent of all your sales. Could you indicate in what part of the United States this market is located? Is it in the eastern half of the United States or in the western half?

Mr. ADAMS: Principally in the northern half, which would tie in with the grain growing areas very similar to our own in western Canadian provinces.

Mr. KORCHINSKI: And where are your major sales made in Canada? I presume it is in the west?

Mr. ADAMS: The greatest percentage of them is in the west.

Mr. KORCHINSKI: And for that market you only have a plant in Brantford?

Mr. ADAMS: That is right.

Mr. KORCHINSKI: That your is your only operation in Canada?

Mr. ADAMS: At this time, it is the only one.

Mr. KORCHINSKI: Since the greatest proportion of your sales is in the west could you tell me would that be one of the considerations you might give to trying to build a plant closer to the market and thereby save transportation costs?

Mr. ADAMS: This is a problem of weighing the economics, of taking the raw materials to one place or another, or shipping the finished goods from one place to another. It is also a problem of capital investment.

Our company was founded some 122 years ago. It was situated in Brantford and since that time we have invested a good deal in it as a capital going factory. This is a problem should we want to go closer to the market. A third

factor is that there is a considerable trained labour pool in Brantford which has a knowledge of the making of farm machinery. Essentially it is a problem in economics. I am sure if there were a great advantage in it, and were it feasible, we should certainly be considering it.

Mr. KORCHINSKI: From where does your greatest competition come, from the manufacturers in the United States or from other manufacturers throughout the world?

Mr. ADAMS: That depends a great deal on the product. In combines it would certainly be other American manufacturers and Canadian manufacturers. In the business of the small diesel it would certainly be European manufacturers, and so I would say the whole situation is one of world-wide competition, depending on the product and the time.

Mr. KORCHINSKI: I think Massey-Ferguson indicated that something like 45 per cent of their sales was in tractors and I would imagine that would be something similar in your business?

Mr. ADAMS: I believe our largest proportion of sales dollarwise would be in harvester combines. About half of our sales would be in harvester combines and a third in tractors.

Mr. KORCHINSKI: If there is going to be a trend towards dieselization it will be cheaper to build diesel tractors. I cannot see why it will not be cheaper to build a harvester combine, though perhaps the cost of transportation will enter into it and therefore you will find there is nothing saved. Eventually you will reach a point where it will become too expensive for you to operate in Canada and you will have to branch out into other areas and other countries, much as we would dislike that. You would have to go elsewhere if you wanted to stay in business.

I notice in the *Financial Post* of October 15 that in order to increase its sales to the United States Cockshutt has gone into some land venture in Florida. I believe this is a subsidiary of your company, and I wonder how you relate that to increasing sales in your company?

Mr. ADAMS: I would like our president, Mr. Tees, to explain that to you.

Mr. TEES: I am perhaps better informed on that question. First of all, I would like to say that Cockshutt, like practically every other manufacturing company and many other types of businesses in Canada and other parts of the world, is faced with the problem of expanding or getting larger in order to exist. If you will observe the other competitive companies in the manufacturing field, you will find that the trend, the fashion, the economic necessity is this one of expansion. Expansion is necessary in order to buy facilities for engineering to keep up the complexity of the compound nature of the product. This requires capital. Capital is difficult to raise and expensive to raise. This Florida land transaction is essentially a method, and we believe a rather novel or good one, for the purpose of raising capital.

I think it will help the interpretation when I explain to you that the Florida land company is a wholly-owned subsidiary of Cockshutt; all of the shares of that company were purchased by Cockshutt. The payments made for those shares are shares of Cockshutt Farm Equipment Limited, but those shares of Cockshutt Farm Equipment Limited are in escrow, and unless the Florida subsidiary produces sufficient cash to pay approximately \$29 a share, the stock will never be released from escrow.

The effect of this is really an underwriting of stock on a contingency basis. If successful, we get the capital and they get the stock; if it is a failure, the stock is not released and returns to the treasury of Cockshutt. They have five years to do this. If it is successful, it will be an extremely economical method compared to investment underwriting techniques which vary in cost from a

small amount to quite a large amount, and particularly in not too popular industries with a large price ticket. This will be an extremely economical method of raising substantial sums for the purpose of this necessarily revolutionary expansion which is almost essential to stay alive and which, if successful, will make Cockshutt a stronger company, able to produce more efficiently. Companies that produce for efficiency usually put the end product in the hands of the consumer more cheaply. So it travels the full circle. We believe in the strength of the company and in the end use product being more efficient and more economical for the consumer. I hope this explanation was not too long-winded.

Mr. KORCHINSKI: That was very good.

The VICE-CHAIRMAN: For clarification I would say that this is explained on pages 12 and 13 of your annual report.

Mr. TEES: In order to assist you later, you may get a summary of that in our last statement which we prepare for our own shareholders.

Mr. KORCHINSKI: So that in essence this deal is more of a finance arrangement within the company, or, in other words, the method by which you will be able to provide finances, rather than with the intention of promoting sales? This is the question I originally put.

Mr. TEES: It is a method of increasing the capital of the company.

Mr. McINTOSH: Mr. Chairman, first may I draw the witness' attention to page 1 of the brief where it says:

May we refer you at this time to the audited profit and loss statement of the farm implement division of our company for the past ten years?

What other divisions are there, or what do you call divisions?

Mr. TEES: There is Brantford Coach and Body Limited, which is a wholly-owned subsidiary of the company, and this Florida land company, also a wholly-owned subsidiary of the company. I do not believe there is any other subsidiary of significance.

Mr. McINTOSH: Does this farm implement division include tractors?

Mr. TEES: Definitely.

Mr. McINTOSH: How about Bellevue Realty Corporation?

Mr. ADAMS: Bellevue is essentially a sales branch.

Mr. McINTOSH: How about Cockshutt Farm Equipment Incorporated at Bellevue, Ohio?

Mr. ADAMS: That is the same thing.

Mr. McINTOSH: From your consolidated balance sheet it appears you have two million shares at nominal value. What is the book value of those shares and are they on the market?

Mr. ADAMS: On page 15 appears the consolidated ten-year summary of financial data and in the lower statement, the third column from the right, you will find the book value per share between the years 1951 and 1960.

Mr. McINTOSH: Are these shares on the market?

Mr. TEES: They are listed on four exchanges in the world.

Mr. McINTOSH: On page 6 of your brief you say:

At Cockshutt we designed and costed a diesel unit of this class for manufacture in Canada—only to find it was more economical to purchase a model in Italy.

First might I ask whether the tractor manufactured in Italy was comparable in all respects to the tractor you have designed and costed here in Canada?

Mr. ADAMS: Yes, it is.

Mr. McINTOSH: Would you care to give an explanation as to why you found it was cheaper, in view of the fact that a great deal more transportation is involved in bringing the tractor from Italy?

Mr. M. H. McCURDY (*Director of Engineering, Cockshutt Farm Equipment Limited*): The only reason I can give for that is actually the lower labour costs in Italy. We costed it out very carefully some time ago, using an English engine, and we fought our hearts out to get that tractor made in Canada, because we wanted to try to make it in Brantford, and we could not make it economically.

Mr. McINTOSH: Some of the witnesses before us said that the actual labour content in any one machine had not increased over the past ten or 15 years—or very little, due to automation recently. Would you care to say how much cheaper you found it was to produce this tractor in England than it was in Canada, on labour charges only?

Mr. McCURDY: I cannot answer that question. I do not remember all the figures. It was nearly two years ago that I worked it out, and I do not remember them all.

Mr. McINTOSH: At the top of page 8 you say:

Nor does the farm machinery industry receive the “subsidies” so often decried by farmers when they discuss Canadian manufacturing.

Would you tell me what subsidies you are referring to?

Mr. ADAMS: Those received by other secondary industries over and above tariffs.

Mr. McINTOSH: Such as what?

Mr. ADAMS: For instance, these investment allowances which I understand shipbuilding companies have.

Mr. McINTOSH: In the same paragraph here you also say:

Legislative regulations, for example, impose on the industry the costly requirement of carrying repair parts for every farm machine for a ten-year period after its production has been discontinued.

In your opinion, is this too long, or do you think it should be reduced, or do you think farmers are entitled to be able to get repair parts for a machine which is ten years old.

Mr. ADAMS: This is provincial legislation in the province of Saskatchewan and other provinces. Actually, sometimes as a moral responsibility we have carried those parts for even longer than ten years—I mean as long as 20 to 25 years—to supply our customers, to satisfy them in service. I do not know if it is an unreasonable length of time. Certainly, in the case of many parts of which you never sell very many, it is a long time.

Mr. MUIR (*Lisgar*): Could I ask a supplementary question on that? Do you not feel that this very thing gives you over-all assistance in selling your product, the fact that you carry these parts? Does that assist you, when the customer knows he will be able to get the required part in ten years, when other manufacturers are doing the same thing?

Mr. ADAMS: Certainly it is good business to carry parts and service the customer. We firmly believe in this.

Mr. MUIR (*Lisgar*): May I get some further clarification on that and ask one more question? Would you agree that the reason for your percentage of sales over the comparable machine sold by C.C.I.L. is because of the better dealer setup, with more availability of parts?

Mr. ADAMS: I believe we have better coverage and do more servicing than, say, C.C.I.L.

Mr. MUIR (*Lisgar*): Thank you.

Mr. McINTOSH: At page 9 of your brief, you make reference to many interest-free notes. I think previous witnesses have made reference to high rates of interest, and so on. I was not aware that there were many interest-free notes that machine companies will receive. Could you tell me something about your policy in regard to this?

Mr. ADAMS: Most decidedly there are many interest-free notes going, from six months, eight months, sometimes as much as a year. These interest-free notes are requested of us and many companies give them and by competitive pressure we must also give them.

Mr. McINTOSH: You mean, in the off-sale season?

Mr. ADAMS: Sometimes in season, and oft times in the off season.

Mr. McINTOSH: At the top of page 10, you make reference to:

—a fact which provides the large American companies based in the Chicago and Milwaukee areas with the opportunity of clearing their fall stocks in Canada at sacrifice prices,—

I think this question was asked before. Have you any idea of the percentage of machinery that they dump—as you called it—in Canada in the off-season period? Or are any figures available on that?

Mr. ADAMS: We have none.

Mr. McINTOSH: You have none?

Mr. ADAMS: No.

Mr. McINTOSH: At the top of page 13, in referring to material costs, I think you interjected when you were reading this statement, to the effect that a large percentage of the cost is in material. Could you give us any idea of what percentage of material is included in the cost of any one article or any one machine?

Mr. ADAMS: Yes, more than half of the cost of the machine is material.

Mr. McINTOSH: Following that up, what percentage is labour cost in the machine?

Mr. ADAMS: I do not have that available as a percentage of the factory cost.

Mr. HORNER (*Acadia*): As a supplementary question, would you agree with John Deere Limited that where labour is involved in the production of material there has been a greater increase in those materials that you use? They produced a sheet of statistics showing, for example, that hardware has increased more than, say, pig iron, over the past ten years, as regards the cost of the labour component of it. They suggested to me when I examined them that diesel tractors, for example, had a greater labour component and that was why they had higher prices for diesel tractors than they had for gas tractors, and so on—that it took skilled workers.

Mr. ADAMS: Regarding the first part of your question, yes, the more labour in a part, the more costly it becomes, the greater the increase in cost from that source. Regarding a diesel engine, yes, the injection pump, and what have you, are very finely machined parts, and they require skilled labour at considerable expense.

Mr. McINTOSH: Regarding these figures of foreign machinery being sold in Canada—and I might say also in the United States—have you any figures on whether it is increasing or not? Could you show the trend by a graph? Is the trend the same in the United States as it is in Canada, and if it is the same

in the United States, can American production compete with this foreign trend; or are they faced with the same problem as you are faced with here in Canada?

Mr. ADAMS: As mentioned in the brief, with some of these products the large American concerns are importing.

Mr. McINTOSH: You mean they are importing rather than producing?

Mr. ADAMS: That is true.

Mr. McINTOSH: And the same trend applies to Canada, is that it?

Mr. ADAMS: The same is happening; but as for a trend, we think that imports are definitely increasing. I mean, we have stated that the trend with respect to Canada is that imports are increasing every year in agricultural machinery.

Mr. McINTOSH: The reason, I ask is that on the graph which shows labour costs, the United States is the only country higher than Canada; it was quite a bit higher, from \$2.25 to \$1.90 for labour costs, while the next highest was 86 cents, I believe. One would think from that graph that with the higher cost of labour in the United States they would have a larger profit than we have in Canada, which apparently is not the case.

Mr. ADAMS: This question of volume cannot be separated from that of cost. The American concerns have a much greater volume of machinery and it also depends again on the product about which we are talking. For instance, large combines, as was mentioned earlier, are not imported from Europe. In Europe they have not tooled up for them; whereas for the small tractor—this is a commonly used model in those countries and they have tooled for it and it is much more economical for them to sell it here.

Now, I would like to quote again from this August 20 issue of the *Financial Post*, where they are talking about tractors, and where they say that on the tractor part of their operations, tractors represented a big import, and that in 1958 \$117 million worth were brought into Canada, while during 1959, \$172 million worth were brought into Canada. The United States imports accounted for a large share, but in one year the European imports jumped from \$6 million worth to 15½ million worth.

Mr. McINTOSH: I would like you to elaborate on the statement you made this morning when you referred to accelerated depreciation for the farmers. Some members of the committee were very intrigued with the suggestion. Would you please explain a little bit more what you meant by that, and give us an example?

Mr. ADAMS: Well, we visualize this as follows: suppose a farmer buys a tractor in Canada. For instance, he would be allowed a write-off on his income tax of something greater than the cost, let us say 180 per cent, or twice the value of it, and he would depreciate on this larger amount each year, and thereby recover the cost of that machine at a faster rate. We feel this would help him substantially. We understand that the shipbuilding companies have applied for this in regard to their own investment. This is a kind of double-barrelled thing, which could be applied to the manufacturers' investment in tools, or which could be applied to the farmers' investment in machinery. We would like to see it applied to Canadian made goods purchased by the farmers.

Mr. HORNER (*Acadia*): Would it apply to your profits in any way?

Mr. ADAMS: We feel that such a thing would tend to increase volume.

Mr. HORNER (*Acadia*): It would not apply in any way to your own income tax?

Mr. ADAMS: No, no; this could be done quite aside from that.

Mr. HORNER (*Acadia*): What effect do you envisage it would have on second-hand machinery or on the price of second-hand machinery in a dealer's hands?

Mr. ADAMS: This is more rapid depreciation, but it would be commonly applied to new machinery. You might call it exaggerated depreciation. The value is still in the machine. It is more of a paper transaction to help the farmer than anything else.

Mr. KORCHINSKI: Why would it not have an effect on your income tax, since it would allow double depreciation and thereby give you a greater write-off?

Mr. ADAMS: It would give the farmer more of a write-off.

Mr. KORCHINSKI: Why would it not affect your company?

Mr. ADAMS: It would only apply on the product, in this instance on the tractor, which is purchased by a farmer. We would sell the tractor to the farmer, and he would write off the total on his income tax.

Mr. KORCHINSKI: We are thinking of different things. You would like this for your industry, would you not?

Mr. ADAMS: As mentioned in the brief, we would request it for our industry, just as the shipbuilding people have; but this is a double-barrelled issue. It may be that you would be more concerned, undoubtedly, with farmers, in this particular committee. But we did think it was a worth-while thing might be worth consideration for the sake of manufacturers in Canada.

Mr. MCINTOSH: It would be an incentive for the farmer to buy Canadian made products?

Mr. ADAMS: That is right.

Mr. MCINTOSH: Has this been done anywhere else in the world, to your knowledge?

Mr. ADAMS: I think it has been done in the United Kingdom, where they call it an investment allowance. There is a precedent for it.

Mr. FORBES: On page 2 of the brief you say:

We have attempted to calculate for your convenience what this return would be on retail or farmer sales dollars. You will observe that earnings amounted to only 1.3 per cent of retail sales over the ten-year period. As Cockshutt is essentially a manufacturer and wholesaler of the Cockshutt selling price to dealers and distributors.

Why do you measure your percentage on a basis of retail sales, when actually you do not directly benefit from retail sales?

Mr. ADAMS: That is entirely true. The reason for this was that we put this in the brief first because we thought you gentlemen were interested in thinking of it from the farmer's standpoint, I mean the farmer's sales dollar. That is what this 1.3 per cent average is. But as far as the company is concerned, we do not know what the dealer ultimately sells the product for. So we are thinking in terms of dealer selling price.

Mr. FORBES: Actually it is just a guess.

Mr. ADAMS: It is a guess, but we thought it would be one you would be interested in, even though it was a guess.

Mr. FORBES: On that same point, may I ask you what mark-up you suggest to the dealer? You suggest a price to him, do you not?

Mr. ADAMS: That is right.

Mr. FORBES: But what mark-up is that between the wholesale price and the price at which he retails it?

Mr. ADAMS: He gets a 20 per cent discount.

Mr. FORBES: This morning you referred to costs in connection with manufacturing and you used D.B.S. figures. Does your company not have figures of your own, without having to refer to some general D.B.S. figures.

Mr. ADAMS: To which figures are you referring?

Mr. FORBES: Figures in connection with labour.

Mr. ADAMS: I could quote our own labour rates. Actually the figure is above the figure I gave this morning of \$1.90.

Mr. FORBES: That is what we want to know. We want to know what it costs you to produce the machinery. We have had D.B.S. figures during the whole of this inquiry. We would like to have your costs.

Mr. ADAMS: I would be pleased to quote our labour rates to you.

Mr. FORBES: In other words, what you are going to give us now are the labour costs to Cockshutt.

Mr. ADAMS: Do you wish these with or without the fringe benefits?

Mr. KORCHINSKI: Give us both.

Mr. ADAMS: In 1950 the pay rate was \$1.25.

Mr. FORBES: That is labour?

Mr. ADAMS: Yes; that is the rate. The fringe benefits in that year amounted to 30 cents more an hour. The total hourly rate was \$1.55. In 1954 the rate was \$1.65, fringe benefits were 35 cents, for a total of \$2; in 1956, the pay rate was \$1.74, fringe benefits 44 cents, for a total hourly rate of \$2.18; in 1959, the pay rate was \$1.94, fringe benefits 58 cents, for a total of \$2.52. In the first six months of 1961 the pay rate was \$2.17, fringe benefits 61 cents, for an hourly rate of \$2.78.

The VICE-CHAIRMAN: Gentlemen, the witness has a complete list from 1950 to 1961. Would it be your wish to have that on the record at this time?

Agreed.

(EDITOR'S NOTE: For table, see following:)

COCKSHUTT FARM EQUIPMENT LIMITED

FARM IMPLEMENT DIVISION

Hourly Labour and Fringe Benefit Costs in Manufacturing—Cost per Hour

Year	Pay Rate	Fringe Benefits	Total Hourly Rate
1950.....	\$1.25	\$.30	\$1.55
1951.....	1.47	.33	1.80
1952.....	1.60	.34	1.94
1953.....	1.58	.34	1.92
1954.....	1.65	.35	2.00
1955.....	1.65	.36	2.01
1956.....	1.74	.44	2.18
1957.....	1.80	.46	2.26
1958.....	1.88	.48	2.36
1959.....	1.94	.58	2.52
	$\left\{ \begin{array}{l} \$1.94 \\ 1.25 \end{array} \right.$		1.55
	$\$.69 = 55.1\%$		$\$.97 = 62.5\%$
1960.....	2.09	.59	2.68
1961*.....	2.17	.61	2.78

* Six Months—November 1, 1960 to May 3, 1961.

Mr. HORNER (*Acadia*): Have you any idea of the fringe benefits paid in respect of these other wages in the other countries to which you referred?

Mr. ADAMS: I am sorry, I do not have them. I have heard the notion that they were low, but I have also heard the notion that they are very high; I do not know. You gentlemen may have more access to this information than I would.

Mr. FORBES: We have endeavoured to find out what it costs to manufacture some particular machines. Have you the cost price and the selling price which you would care to divulge to us in respect of any one machine? Do you know, for instance, what it costs to produce a combine?

Mr. ADAMS: We would hesitate very much to divulge this information, for the simple reason it would aid our competitors. In principle we would be pleased to give it to you, but this is very confidential information which could do gross harm to a Canadian manufacturer. We would wish that you would not ask us for this.

Mr. FORBES: Then, how do you suggest we can arrive at a decision as to whether or not your mark-up machinery is too high or too low? That is the purpose of this inquiry.

Mr. MCINTOSH: As another way of arriving at it, I wonder if you have any basic formula for establishing prices. Have you a basic formula which you use in arriving at selling prices or the return to you on any specific machine?

Mr. ADAMS: We take costs into consideration. As a rule, the final figure is based on the competitive pressure of the prices of the other manufacturers.

Mr. FORBES: In other words, after you have made a combine and you arrive at your price, you slip around and find out what Massey-Ferguson and International charge for their combine, and then you say yours is at about the same level.

Mr. ADAMS: We would take a little bit of issue at your suggestion of slipping around.

Mr. FORBES: I speak in a foreign language.

Mr. ADAMS: That is all right. Naturally we make much the same product. It is not the same; there are many differences. Essentially, however, it is the same beast. I imagine our own manufacturing costs are not an awful lot different to theirs. It would stand true that the ultimate price would not be an awful lot different to theirs; but there is no conscious effort to combine, so to speak, in setting a price. I think our profits clearly indicate the viciousness of this competitive situation. A 1.8 per cent return on sales is so little that there certainly is no profiteering.

Mr. FORBES: In other segments of our society, one might happen to have a cup of coffee with his opposition and discuss certain prices for certain commodities. Does that not happen in respect of the machine companies? Could Massey-Ferguson and Cockshutt not get together and say "this is what is wanted, this is what we have, and this is what we want"?

Mr. ADAMS: This is not the case. Personally I have been in on a cockshutt internal meeting when we decided to set the price. True, competition—what other people are charging—may have had some effect. It is the competitive pressure of price. However, there is no conclusion, as you would suggest. We are controlled by the price in the market place.

Mr. FORBES: And not the price it costs to produce it?

I would imagine that if there was competition, your price would be based on the cost of production, plus a reasonable mark-up. According to the evidence which has been submitted by the implement dealers and other manufacturers,

the dealer does not have to follow the suggested price you quote. Therefore, we have a two-price system: There is one price if you have cash, another if you have a trade-in, and there may be a combination of the two. Do you believe in that principle of doing business?

Mr. ADAMS: This principle is one that has grown up. We are not particularly enamored with this thing. These over-valued trades—you might call them that, if such a thing exists—obscure price competition. As I say, it has grown with us. What can be done about it?

The CHAIRMAN: Mr. Southam is next.

Mr. SOUTHAM: Mr. Chairman, we have had considerable testimony from previous witnesses and also heard from Mr. Adams this morning on the relationship of the Canadian productivity to the United States labour productivity. It has been mentioned here today on a couple of occasions, but I do not know whether we have explored this one problem. It may be an area wherein we could do something. Is our lower productivity of labour in Canada—and it is roughly estimated at around 30 to 32 per cent—directly related to the price of farm machinery in Canada? If so, how would it relate to machines manufactured in other places, other than Canada and the United States, and is this a factor in keeping our prices in Canada as high as they are? Are one of the factors the fact that we have not the equipment here in Canada—that is, the tools in our manufacturing plants; say, in your plant—to compete with the American labour productivity?

I understand volume is one of the factors, but there must be some other special reason. If so, what would you suggest that would eliminate this? 30 to 32 per cent is a great variation between the two countries which enjoy, more or less, the same standard of living, and everything else is pretty well equal.

Mr. ADAMS: Well, regarding the United States, Mr. McCurdy, our director of engineering, just informed me that he has travelled extensively through many factories there, and he does not believe that their productivity is an awful lot higher than our own, simply, I would imagine, from the volumes and the number of different pieces, and that type of thing. When there is one part that is the same and is used many times over, of course it is possible to do extensive tooling on it and, thereby, bring down the cost. This is not entirely the case the world over as, for instance, when we mentioned these small diesel tractors in the United Kingdom; certain parts of that—the engine, and what-have-you, are very highly tooled, and this, again, sets the price of that tractor, which is the price we must compete with on this side of the ocean. However, we do not have the tooling, and cannot do it.

Mr. SOUTHAM: You also say that possibly volume would be a big factor.

Mr. ADAMS: Very much so. You cannot separate cost and volume.

Mr. SOUTHAM: You see, there is this 30 to 32 per cent differential in the labour content, which is almost one third. That being the case, you would think that we should be able to attack that problem and, as a result, you, as a wholly Canadian concern, could enjoy the benefit of that lower wage rate here in Canada, as compared with the United States. It seems we are not getting it. Has there been a fair enough investigation into this angle?

Mr. ADAMS: As you can see, our wages are considerably higher than in these other places; in other words, there is a long way to go, and this means a tremendous capital investment to eliminate such portions, if you wish to call it that, to bring this type of thing into line, and it is just too much money for the volume.

Mr. SOUTHAM: You suggest, then, Mr. Adams, that due to the fact that we are a smaller country, with a smaller volume, you have not a large enough capital investment here in your plant to compete with this difference of labour productivity in the United States?

Mr. ADAMS: That would be your chief reason. Well, we do compete, which makes my agreeing with your statement erroneous. We compete at 1.8 per cent to sales profit. So, I could not agree with you. However, I would say it is very difficult to compete, with the small volumes. Automation is erroneous; it really does not exist. High labour costs, and probably these wages were set from those industries which could automate a great deal more than the farm machinery industries could. So, we compete, and the result is 1.8 per cent return on sales.

Mr. SOUTHAM: I have another question, Mr. Chairman, and it has to do with finance.

Do you people have your own subsidiary finance company? Apparently this is the pattern in other manufacturing concerns. I understand they set up their own. Mention was made today that you have quite a number of competitors, and that you give out notes without interest charges. Do you have your own subsidiary finance company, or do your customers deal with other companies?

Mr. ADAMS: No, we do not have our own subsidiary company. We do finance a certain amount—and when I say “we”, I mean the company itself. As I say, we do not have any subsidiaries. We do encourage the farmer to finance through the Farm Improvement Loans Act, or his bank, or the Commercial Credit Corporation. Some suggest other methods of financing. However, we are not overly enthusiastic about financing, because, simply, of the tie-up of the money. As we have demonstrated to you—and I think effectively—when you take into consideration the industry’s needs that are demanded of us, we end up with less than 3 per cent. You members know that we cannot borrow money at that rate. So, we would just as soon get out of it altogether.

Mr. SOUTHAM: The reason I brought up the question was that other witnesses had testified that they have their own subsidiaries, and I think their evidence was to the effect that they charged anywhere from 7 to 8½ per cent up to 11½ per cent. I was wondering what the percentage rate of interest was that your financing subsidiaries charge.

Mr. ADAMS: As I say, we do not have a subsidiary.

Mr. SOUTHAM: I note from what you said that you have not.

Mr. ADAMS: We do loan from our company itself, and the rate is 11½ per cent.

Mr. SOUTHAM: Also, I was interested in your discussion here, in answer to a question by one of the members, with regard to the blending or averaging of the price of parts to the farmer. Do you think that would be a field which we could explore, to see if there could not be some return to them; in other words, if a part is not required on a regular basis, I would assume that to keep it on the market would cost much more than a part which would be in demand every day. Would it be a fair principle to blend these prices? Would it not be better to explain to the customer that these parts which were in short demand are naturally quite a bit higher in price, and then give him the benefit of the lower price on the large volume of parts that are in demand every day? I might say that I hear complaints regularly about the pricing of repair parts to machinery. Could this principle be developed to a larger extent?

Mr. ADAMS: What you are suggesting is that we have an almost production cost on some parts and a really terrifically high price on others. Remember,

there are 50,000 parts, for which tools must be maintained. They must be warehoused and domiciled in the different regions. They turn over less than once a year. I think what you are suggesting would get us more black eyes than trying to spread the cost and looking at this whole situation as—

Mr. SOUTHAM: I would think, from talking to the farmers—and I live in a small town where we have several machinery companies representing that area—you would get fewer black eyes if you kept these basic parts which are in everyday demand to a fair or moderate price. There are a great many complaints coming in, in respect to the cost of these parts which are in everyday demand, and I am wondering if you are following the right principle. I noticed that you enunciate that in your answer. However, it is a suggestion I throw out.

A further question has to do with your consolidated summary of financial data at page 15. In looking over the number of employees in Canada from 1951 to 1960, I notice that the high point was in 1952, when you had 4,502. In 1960, you had come down to 1,621. Do these figures indicate your salaried and hourly staff workers, and does it also infer that through automation and technology you have been able to cut your staff and yet maintain your productivity as far as your plant output is concerned?

Mr. ADAMS: These are consolidated figures. I would rather quote to you the numbers of employees in our farm implement division, if that is satisfactory. In 1954, in the farm implement division, we employed 1,821.

Mr. SOUTHAM: Does that include your salaried and hourly wage workers?

Mr. ADAMS: It includes all salaried and wage-earning people, in total.

Mr. SOUTHAM: Did you answer to Mr. Forbes a while ago, in reference to the increase in hourly rate wages from 1954 to 1961 include your salaried and hourly workers?

Mr. ADAMS: No. Those wage rates given were manufacturing wage rates of production workers.

Mr. SOUTHAM: Thanks, Mr. Chairman; that is all I have for now. I may have a question or two later on.

Mr. MUIR (*Lisgar*): Mr. Chairman, my first question is supplementary to Mr. Southam's. What percentage of your sales do you finance?

Mr. ADAMS: I will try to have that answer for you in a minute, as we do not have that calculated out at the present time.

Mr. MUIR (*Lisgar*): Perhaps I could carry on while you are looking up the answer.

Mr. ADAMS: If you would.

Mr. MUIR (*Lisgar*): On page 10 you say:

It might be claimed that Canadian-produced farm machinery could be sold in the United States without difficulty. This is not so now, and never has been.

That is what you said in your brief. However, you may remember that the Canadian combine took quite a substantial share of the American market not too long ago.

Mr. ADAMS: This was a very great technological improvement. It is the self propelled combine of which you speak?

Mr. MUIR (*Lisgar*): Yes.

Mr. ADAMS: There may have been three years of great success following on the concept of this new machine, but I understand from the Massey-Ferguson people that it did not last beyond three years.

Mr. MUIR (*Lisgar*): That is true, to some extent, although they still have quite a combine market.

Mr. ADAMS: I think this great splurge was due to the innovation of a self propelled combine and the technological improvement. Increased productivity for the farmer, and what have you, may be attributed to that machine.

Mr. MUIR (*Lisgar*): I think you will agree with me there is some advantage in reaching the market with the most modern machinery?

Mr. ADAMS: Definitely.

Mr. MUIR (*Lisgar*): Do you have the facilities for engineering and research to keep up with or get ahead of the market?

Mr. ADAMS: In answer to that, may I say that a number of years ago we were the first company to introduce the live power take off on tractors, but since that time I would have to confess there have been no striking improvements, at least as striking as a self propelled combine, come from our company. We do our best in engineering, but we definitely do not have the facilities of the larger companies and cannot spend the money they can. That is factual.

Mr. MUIR (*Lisgar*): In your first recommendation you refer to income tax relief on domestic sales for Canadian farm machine manufacturers. That, of course, would be an encouragement to Canadian farmers to buy Canadian make machines, but in your second recommendation you refer to amendment of the Farm Improvement Loans Act to provide for some financial encouragement to farmers to purchase Canadian made machines.

I think you will agree with me that once the farmer borrows money it is his own money, and it may not be in his best interests to be forced to buy some machine he would not prefer. He may prefer a foreign-made machine and he is actually spending his own money. I do not see how we can ask for that type of legislation which would keep him from spending what is his own on the type of machine he himself prefers.

Mr. ADAMS: I stand corrected on that through limited knowledge, but I know of no other instance where the Canadian government subsidizes imported products.

Mr. MUIR (*Lisgar*): This is not actually a subsidy. It is a provision for a farmer to borrow money so that he can operate more efficiently.

Mr. ADAMS: That is true, but it is providing him with an opportunity to help finance an imported machine.

Mr. MUIR (*Lisgar*): He may prefer it that way, and it is his own money. I think in this particular case we are going a little bit beyond the line of good reason in stipulating to the farmer that he must spend the money he borrows under the Farm Improvement Loans Act, which is only 10 per cent guaranteed by the government, to buy Canadian made goods.

Mr. ADAMS: We would leave that to your judgment, and all we do is draw it to your attention. We do not wish to belabour it.

Mr. MUIR (*Lisgar*): I think your first recommendation in paragraph (a) relating to income tax relief certainly would encourage farmers to buy Canadian farm machinery. That would do you a great deal more good than to try and force the farmer to spend money which he has borrowed from the bank on Canadian machinery.

Mr. ADAMS: I would agree wholeheartedly.

Mr. HORNER (*Acadia*): I have a supplementary question relating to the first recommendation. Surely it would only account for those farmers who

are well enough off to pay income tax, who are in that tax bracket? I would agree with the recommendation, that it is important to farmers who are paying income tax.

Mr. ADAMS: We would hope the farmers, as well as everyone else, will eventually become profitable operators. To be healthy they must be profitable to some small extent.

Mr. HORNER (*Acadia*): I think we should direct our efforts to those who are not now paying income tax. In other words, I believe the government should direct its efforts towards the welfare of small farmers and not towards those who are paying income tax.

Mr. ADAMS: I think this is debatable.

Mr. MANDZIUK: I have a supplementary question.

Mr. MUIR (*Lisgar*): If it is supplementary, then go ahead.

Mr. MANDZIUK: Without giving your recommendations too thorough a study, is it not their aim to improve your financial condition rather than to help stabilize farm machinery prices, or even reduce them?

Mr. ADAMS: The first item, as I explained, is only half there. The other half is the half we have been discussing, the investment allowance for the farm operator. Regarding the others they would have to do with the health of our company's Cockshutt farm equipment.

Mr. MANDZIUK: You are more concerned with your own financial foundation?

Mr. ADAMS: I would not say that is a fair statement, and let me tell you why. Again, there are the 50,000 repairs parts that we should like to make available. We should like to stay in business, and this means we should like some assistance. We believe it is of definite benefit to the farmers that we should stay in business. We believe we have products which are good ones, and I do not think anyone would deny they have been found acceptable and very satisfactory. As I say, we should like to stay in business and this would help us. In that way I suppose you might say it is a selfish interest on our part.

Mr. MANDZIUK: Mr. Chairman, I have just one additional question. In a sly way, are you not asking for protection without coming out in the open, though possibly that is not the correct word to use?

Mr. ADAMS: I would refer you to page 14 of our brief, where we state we are not recommending the reimposition of the tariff on farm machinery.

Mr. MANDZIUK: I shall correct that word to subtle—subtle not sly. When you recommend a dumping duty on manufactures coming in from the United States after a certain date, is that not protection for your own products? I do not mean protection for your own company, but protection for Canadian manufacturers. I presume this covers I.H.C. who manufacture in Canada. You do not exclude them?

Mr. ADAMS: We would want this protection for all machines manufactured in Canada. They employ Canadian labour and they pay Canadian taxes.

Mr. MANDZIUK: You are asking for certain protection?

Mr. ADAMS: We are suggesting this might be considered by the committee.

Mr. MANDZIUK: We are going to consider all aspects, but I want to understand clearly just what you are suggesting.

Mr. ADAMS: We are suggesting investment allowances for the farmer.

Mr. MANDZIUK: Why?

Mr. ADAMS: We are not denying it would benefit ourselves, if the farmer chose to buy Canadian, and we have suggested this other loan be restricted to the purchase of Canadian made goods, but that would be up to you people.

Mr. MANDZIUK: That would help you?

Mr. ADAMS: It would help increase our volume and provide a healthier situation for the farmer.

Mr. MUIR (*Lisgar*): If I may return to the question I asked previously, have you an answer regarding the percentage of sales which you finance?

Mr. ADAMS: About 25 per cent to customers.

Mr. HORNER (*Acadia*): Mr. Chairman, I am interested in this price setting idea. Massey-Ferguson, when they were before the committee, as much as said they asked as much as they possibly can get for their machinery and still sell it. In another brief presented to the committee, a professor who made a particular study of this industry said it was his belief that companies charged all the market will bear. I do not know whether he said it or not, but it was in his brief that certain companies over the years have been the price setters, and when those companies set their prices the others seem to fall in line, generally speaking, and follow suit. Do you agree with that statement, and has this been the pattern generally?

Mr. ADAMS: I would say that when our competitors have labour increases, material cost increases, and all the other various cost increases, including freight rate increases and tax increases, they generally occur at much the same time for all companies, and it would be a logical conclusion not to expect any great divergencies in the whole panorama of costs and prices. I would not expect one to go down and the other to go up at the same time.

Mr. HORNER (*Acadia*): Would costs vary to some extent according to volume? For example, did your volume of sales increase when Cockshutt introduced the live power take-off on tractors? Did that cause an increase in the sale of your tractors at that particular time?

Mr. ADAMS: I believe at that time there was a sellers' market, and there was such a demand that the market could not be satisfied.

Mr. HORNER (*Acadia*): Therefore you were not interested in reducing prices?

Mr. ADAMS: We did not notice any effect on sales.

Mr. HORNER (*Acadia*): But to some extent it is an accepted theory that companies watch their competitors' prices, and if competitors increase the cost of a machine by \$50 to \$100 and do not lose sales over it, the rest follow suit. Is this something that would go on in the business?

Mr. ADAMS: I shall be frank with you. We certainly watch what our competitors price their products at, due to the competitive nature of the marketplace. I think all Canadian and American industries are experiencing this, and I believe they will experience it more from the European common market. Harping back again to the small diesels, they are the ones who are setting the prices and we cannot make those machines at Brantford because of world-wide competition. It would not do us an awful lot of good to sit back and say: "Look what some other person on this continent is doing". These are the people who are setting the prices.

Mr. HORNER (*Acadia*): But I suggested to another group, and I hope I did not use your company's name in vain, that Cockshutt at one time had tried to reduce prices in order to increase their sales. I thought they might still be doing this to some extent.

I suggested that Cockshutt at one time had tried to reduce prices in order to increase their sales. I thought they might still be doing it to some extent. However, the Canadian labour congress said this is all foolishness and that none of the companies tried to reduce their prices—they all set their prices and kept to them.

Mr. ADAMS: I would say that we have attempted to increase our volume.

Mr. HORNER (*Acadia*): By reducing prices or keeping your prices a little lower?

Mr. ADAMS: On a number of our machines our prices are lower than those of our competitors.

Mr. HORNER (*Acadia*): The very fact that you imported the small diesel shows that you are trying to keep your prices below other companies to increase your volume. Your baler sells for a couple of hundred dollars less than some of the bigger manufacturing companies' in Canada.

Mr. ADAMS: We import and sell our power take-off baler at much the same price as our competitors.

Mr. HORNER (*Acadia*): Is your take-off baler for baling straw or hay?

Mr. ADAMS: It will work with both.

Mr. HORNER (*Acadia*): You said "low density", what did you mean by that?

Mr. ADAMS: This is a newer concept in baling. It wraps the hay; it does not give it that compressed and compact bale that is the usual kind today. The idea of this is to preserve the nutritional contents of hay. Where this improvement shows up is in greater production of milk.

Mr. HORNER (*Acadia*): I am not interested in cows at this particular time. I am led to believe that Cockshutt has two types of balers on the market. Is the second type a round or a square baler?

Mr. ADAMS: Rectangular.

Mr. HORNER (*Acadia*): And yet they are rolled?

Mr. ADAMS: They are wrapped.

Mr. McCURDY: Which makes it pack like the binder.

Mr. HORNER (*Acadia*): Something like the Welger baler that comes behind combines.

Mr. McINTOSH: Mr. Chairman, before Mr. Horner leaves the question of volume and costs, I have a supplementary point which I would like to ask. Do you want me to hold it until later?

Mr. HORNER (*Acadia*): I am not through.

Mr. McINTOSH: Are you through with volume and cost? If you are not, go ahead.

Mr. HORNER (*Acadia*): I got to the baler because I was under the impression that the baler you make in Canada sold for a lot less than in the United States. I was thinking particularly of one baler I own myself, a Massey baler, and I had a pretty strong belief this was so.

I have another question with regard to this particular baler you made. Does C.C.I.L. sell all your machinery or just the tractors?

Mr. ADAMS: No, it sells combines and tractors as well as swathers and mowers.

Mr. HORNER (*Acadia*): Why did you not include the baler; is it because they will not buy it?

Mr. ADAMS: I explained that before. We do not manufacture that baler at Brantford.

Mr. HORNER (*Acadia*): Where do you manufacture your other baler?

Mr. ADAMS: We import both our balers.

Mr. HORNER (*Acadia*): One from the United States and the other from France, I believe. I would like to read you something from Mr. Phillips' book on *The Agricultural Implement Industry in Canada* on page 121. A series of

questions had been asked and he is quoting from the 1937 price inquiry. He asks a question of the Cockshutt company at that time and I do not know who the questioner was.

Q. What were the reasons which induced the Cockshutt Company to increase prices in January of 1936?

A. I am not going to argue that materials cost . . . or labour costs were factors in that advance. I am not so sure about burden. I think that was not.

Q. You do not join with International Harvester Company and Massey-Harris in asserting that?

A. No, I do not . . . I am quite frank to admit that in the main we wait until our competitors, our large competitors, come out; and then we might have to adjust our prices a little way one way or another, not very much.

In all fairness to the Cockshutt Company, I would like to tell the committee that I could not find this exact quotation in the 1937 inquiry, but I did not read it all. It was in this particular publication as quoted from the inquiry so it may well be in that thirteen hundred and some pages. Here is evidence that in 1937 Cockshutt waited for the competitors to announce their prices and then followed suit one way or another. You agree that this is not the case today?

Mr. ADAMS: This took place a long time ago, in 1937, and I will submit to you that most of the people who were concerned with it at that time have since departed. I do not think I will have a comment on that.

Mr. HORNER (*Acadia*): I have one further question on this price-setting idea. You say, on page 6 of your brief, that farmers benefit from world wide competition. What could you say to substantiate that statement? There has been some doubt in my mind—and I do not know whether other members of the committee share this—that farmers do not benefit as much from world competition as they might because of price setting arrangements by some of the big companies. What evidence have you got to substantiate that statement on page 6?

Mr. ADAMS: Firstly, I would refer you to the small diesel which has taken over a good 20 per cent of the total number of tractors sold in Canada. This is over 5,000 units a year.

Mr. HORNER (*Acadia*): From what country would they be coming besides Italy?

Mr. ADAMS: The majority come from the United Kingdom.

Mr. HORNER (*Acadia*): This substantiates my own belief; but are the farmers feeling the effect of those reduced prices? I have before me the official tractor and farm equipment guide given to the committee by the Canadian federation of farm equipment dealers. In this guide they give the suggested retail prices by the various companies. The interesting thing that I would like to read out to you is that Renault—is that the correct pronunciation?—Renault tractors in horsepower rate all the way up to 36 horsepower according to the drawbar and have a retail price of \$1,788. I am referring to a small three-cylinder diesel tractor. For example—and I do not want to have the committee feel I am condemning one line of companies in my questioning—a major company which does a lot of manufacturing—in Great Britain, I will not mention their name—has recently bought a couple of tractor plants. They sell a three-cylinder diesel tractor in Canada but for nowhere near that \$1,700 price. It has been my belief that their manufacturing costs are somewhat close to the one I have suggested, but their price is nowhere close to the Canadian farmer. That is the point; that while Cockshutt may not be guilty of this, and I do not think they are—

Mr. ADAMS: I can say that we do not make any excessive profits on tractors we import.

Mr. HORNER (*Acadia*): I do not think that in this particular book the tractor you import is listed, because I imagine it is a recent policy carried out by your company, but could you give us some idea as to what would be your suggested retail price to your dealer on the Canadian market?

Mr. McDONALD: \$2,995. fully equipped.

Mr. HORNER (*Acadia*): This is considerably more than \$1,700. Is it a three or a four-cylinder diesel?

Mr. McDONALD: A four-cylinder diesel.

Mr. ADAMS: Thirty-six horsepower.

Mr. FORBES: Is this the same tractor that C.C.I.L. are importing from Germany this year?

Mr. ADAMS: They are selling a Deutz tractor.

Mr. FORBES: How does this compare in size?

Mr. ADAMS: It is many times larger. It is 50 to 60 horsepower.

Mr. PASCOE: In regard to the small diesel tractor, you say, on page 5, "the prevailing prices are those dictated by farm machinery prices the world over", and then you talk about the small diesel coming in and taking the market. Why would they come in if the prices are pretty well the same?

Mr. ADAMS: Competition is setting prices the world over. It is a world wide price competition. I believe this is the same tractor that is sold in large quantities throughout Europe, the small tractor. Its manufacture is very well automated and they can produce it at a smaller figure than we can here.

Mr. PASCOE: But you say your prices are dictated by world prices?

Mr. ADAMS: Could I answer you again? The competitive prices of similar American diesel tractors in that horsepower class are, I believe, higher, in which case the farmer is benefiting from this world wide competition. I know that we could not make one to compete with this. I would suggest the American prices on this size of unit are higher. As I say again, the farmer benefits from this. This is a world wide competition of prices.

Mr. BOULANGER (*Interpretation*): What would these 5,000 tractors we import represent in man-hours or man days' work in Canada?

Mr. ADAMS: I do not know that.

Mr. BOULANGER (*Interpretation*): You do not know how many hours it would take to produce a tractor?

Mr. ADAMS: No, unfortunately.

The VICE-CHAIRMAN: Are there further questions?

Mr. MILLIGAN: You mentioned that you buy Italian tractors. I notice it is 51 cents an hour. Did your tractor sell for less money than the tractor made in Britain and distributed by another company here, or would you sell that tractor produced in Italy at a such smaller price than that for which it is sold in some other European country?

Mr. ADAMS: I think volume is your answer. I did not quite get your question.

Mr. MILLIGAN: The question I was asking is: does the tractor you are selling here in Canada and that is made in Italy sell for less money than a light model made in Britain and distributed by some other company?

Mr. ADAMS: I believe our selling price is about the same.

Mr. McDONALD: Actually it so happens that those manufactured in Britain are exposed to a much wider distribution, larger volume, larger quantity, than the machine that we export.

Mr. HORNER (*Acadia*): To sell for less?

Mr. ADAMS: No, they sell for about the same price in this country. I am referring only to the price in this country.

Mr. HORNER (*Acadia*): Then it is due to the volume?

Mr. ADAMS: Yes.

Mr. HORNER (*Acadia*): In this particular line, this is the only thing you have in which farmers are benefiting from world-wide competition of recent years? This small diesel is coming in and underpricing some of the Canadian and American made tractors? Is this evident in the case of any other machines, to put it that way?

Mr. ADAMS: Not at the present time.

Mr. HORNER (*Acadia*): You hope, with your baler.

Mr. ADAMS: Mr. McCurdy says there is no indication that this particular baler is in such volume as will put it at a lower price. We would suggest, also, that at this time there are a number of combine manufacturers who have tried to market and are marketing combines in Canada from Europe. The Class combine comes to mind. You gentlemen would know them better than I do. I do not believe that they have found it too profitable a market. I do not know.

Mr. MUIR (*Lisgar*): Would not the reason for that be the same reason as in the case of your finding it difficult to sell in the United States, that the Canadian farmers like a particular type of combine and not one that looks, shall I say, like a German one? I think it is the design more than anything.

Mr. ADAMS: That is the consumer preference.

Mr. MILLIGAN: Why would you bring in this baler if it does not compete in price?

Mr. McCURDY: Actually, the reason we brought in the baler was to test the market for the low density baler, to see if it was going to be of benefit, and if it would sell. It is a low baler, like the other.

Mr. ADAMS: Actually, it is all something that gives benefit to the output of the cow, it preserves more calories and more nutriments in what the cow eats.

Mr. HORNER (*Acadia*): How many dealers has Cockshutt got in Canada?

Mr. ADAMS: Seven hundred.

Mr. HORNER (*Acadia*): That is including C.C.I.L. You had some trouble, I believe, with your dealers in 1950 when you started to sell to C.C.I.L. Is that not true?

Mr. ADAMS: Well, so far as to say that some of our dealers complained, yes, undoubtedly.

Mr. HORNER (*Acadia*): Since that time, have you not gone out and given your machines to local merchants to sell, without requiring that merchant to stock repair parts to any extent?

Mr. McDONALD: It would not be common practice to do that. It would be difficult for me to say that it never happened.

Mr. HORNER (*Acadia*): It is not a common practice, but it might have happened?

Mr. McDONALD: Yes.

Mr. HORNER (*Acadia*): I read from between the lines that you do not like to have to do this, but sometimes you might have done it.

Mr. McDONALD: Let us say that it has not been done with intent.

Mr. HORNER (*Acadia*): With intent of what?

Mr. McDONALD: To set them up without parts.

Mr. HORNER (*Acadia*): I see; but you have had trouble in losing dealerships to some extent?

Mr. ADAMS: No, I would not say this is a matter of losing dealerships. We have undergone an intensive dealer training program and we have tried to weed out those dealers who did not provide the farmer with adequate service, adequate stocks, and so on. This has been an upgrading going on all the time. In fact, in 1954 we had a larger number of dealers than we have today.

Mr. FANE: You say that in 1954 you had \$2,005,000 deficit. Did you actually make that much less money than you spent, or is that just a book figure? The same applies for the other years?

Mr. ADAMS: Our bookkeeping underwent no drastic change over other years, in the year 1954. It has been consistent throughout with normal auditing and accounting practice. Therefore, this would be a figure which would fit into this pattern of years.

Mr. FANE: You actually then went into the red in those years?

Mr. ADAMS: That is correct.

Mr. HICKS: I am interested in the sales in the United States by the Cockshutt people, and I am wondering if the United States farmers are a little bit more patriotic and want to buy United States machines, or are they a little doubtful about the quality of Cockshutt, or are they scared that probably they could not get repairs if they want them? What would you say of those three reasons is the most logical?

Mr. ADAMS: I would say, sir, that our quality has never been doubted.

Mr. FANE: I qualify that, in recent years.

Mr. ADAMS: Mr. Fane would qualify that, "in recent years". I am not quite prepared to do that. Regarding the other two reasons, we have been in business for 122 years. During that time we have supplied repair parts. It could well be that we are not known, and I believe this is the case in these areas. There may be some feeling or thought that we are fly-by-night. I could not say that when one has been in business for 122 years it is a fly-by-night concern. However, this is a problem of breaking into the market of which we speak. The name must be put across, together with the reputation, the reliability, and so on. I do not think there is any denying that in any product the Americans have been very patriotic in buying their own machines. In fact, we would very much like to see this same kind of thing in Canada, to be frank about it. This has been the case, so I think it would be hard to, shall we say, assign percentages to your thoughts. One is a problem of education, of the name of Cockshutt, the reputation, reliability; the other is that of overcoming the resistance of national thought.

Mr. HICKS: What do you think about the cost of machinery repairs and service? Could it be reduced by a smaller number of machinery dealers, say, in one of our provinces, with quick shipments, and this test, and fewer dealers—or is that an advantage or disadvantage?

Mr. ADAMS: We attempt to stock our dealers on a stock-order program at the commencement of each year so that they will have these parts available. We attempt to do this with timing such that these quick air freight shipments, and so on, which we make and for which we as a company bear the cost, will be eliminated as far as possible. I do not know if an awful lot more can be said. We attempt to organize our parts distribution very much. We have made quite intensive efforts, with our company, the branches and the dealers in this respect, and by eliminating these rush jobs we hope to keep the costs and the prices in line.

Mr. SOUTHAM: This is a very interesting area, in regard to the supplying of parts and service. Has there been any plan or concerted effort by your

company, or by any company you know of, to try to create an incentive to the farmer, through the organizing of a campaign prior to the harvest season, to get the machines into the dealer during that time, to see what the need is for repairs and parts; and on the basis of that is there any incentive reduction in price?

Mr. ADAMS: Most definitely I can quote to you a specific example of this. In one of our outlets we had a pre-season tractor tune-up, as we call it, for a special rate under which our people would go over that unit and try to get the implement ready for spring work. Now we are making it a policy in many instances to encourage this off-season work. Not only does it help the farmer, but it also helps the dealer in his facilities.

Mr. HICKS: And the unemployment situation.

Mr. SOUTHAM: I think this is a field or area where we could, perhaps, recommend as a committee that all companies in the farm machinery and equipment business should have a campaign to encourage this type of plan, to induce farmers to get repair parts and on the basis of that they should get as a reward a lower price.

Mr. ADAMS: This is very sound because it helps not only the company but the farmer and the dealer. The dealer does not want to find he has his shop tied up and that there is no work in it except at the peak season. That puts him in a bad position. This is a very sound plan which has been suggested, and we are 100 per cent behind that. Our service manager has laid out schemes along this line to try and get pre-harvest work done.

Mr. HICKS: Could this be tied up with a testing station? There is one in Saskatchewan, I understand, and I presume you have your own testing station—possibly the very thing we are talking about.

Mr. ADAMS: I think I could be specific again on this point, in regard to this tractor tune-up I mentioned. We had supplied a site, with a dynamometer to tune this man's machine up, and in that sense to do the testing to put it in top condition for his work. Sliding back to other testing, the A.M.A. in Saskatchewan test machines which have already been produced and we certainly go along with them there. Then there is this field of testing prior to putting a product on the market. This is where the prime interest of the manufacturer must lie. We do extensive testing, as much as time and money permit, on our machines before they reach the market. We try to ensure to the farmer that he gets a good machine.

Mr. HICKS: On the old question of standardization or new models, are you keeping them within bounds, or are you making a new model every year?

Mr. ADAMS: We certainly do not make new models every year. In fact, I will be frank about it, we could not afford to do so. I have heard about this idea of planned obsolescence. As far as we are concerned, we shudder at the thought of it. It involves very large capital investment, a change in parts, it adds to that 50,000 number of parts we have been talking about, for a number of years, with inventory charges and all the rest of it. We bring out a product to keep up to date, to help the farmers' productivity.

Mr. MANDZIUK: Mr. Chairman, would the witness give us an answer in a nutshell, in a few words, to a question which is the concern of this committee? Why are the prices of farm machinery as high as they are? That is the question in the mind of every farmer in the east, the west and every part of Canada. And why are they going up?

Mr. ADAMS: I would say to you that first of all we cannot agree that they are unduly high in the light of the cost increases, in wages, steel and prices. We cannot agree that they are unduly high.

Let me stand in front of this chart. If you look at the other side of it, you will see the prices of farm machinery and the increases, and these are the costs which go into it. May I suggest to you that we do not pretend to tell anybody his business; but when you look at this side of the graph you will see the prices and the farm incomes, both gross and net. May we suggest that a portion of your problem, at least, lies in this half of the graph.

Mr. BOULANGER (*Interpretation*): Are these graphs to be reproduced in our minutes?

The VICE-CHAIRMAN: I understand that they are.

Mr. MANDZIUK: Would the witness describe the costs or the contributing factors in the increase in farm implements in the order named?

Mr. ADAMS: These are in the order of increase.

Mr. MANDZIUK: Are they in that order with the contributing factors in the rising costs of farm machinery, such as the rising cost of labour and the rising cost of material?

Mr. ADAMS: I would have to say to you that there is no order, and let me explain why. As I said before, while over half of the cost of a farm machine is in material, when I say material I mean purchased parts, raw steel, foundry castings and so on. Now, there are various degrees of labour and material mixed up in the purchased parts, for example. They have gone up considerably, and labour is no doubt a factor for that. There is also the factor of labour in the preparation of the raw steel and in the assembly of the machines, so I would be unable to provide an order to this thing. I would suggest that there are increases labour-wise in purchased parts and other material, and in labour to make the parts and to assemble the machine.

Mr. MANDZIUK: This is a somewhat different question. We have had some evidence given that the number of wage earners in the implement factories has decreased, while the number of salaried people has increased. Is that a fact in your concern? We are not asking for numbers. We do not want to pry into your secrets or to let your competition into something. But is that the case?

Mr. ADAMS: To no great extent; there has not been that great a change. Supervision or salaried people have not gone away up and labour away down.

Mr. MANDZIUK: But in the number of salaried people in your manufacturing establishment for farm machinery the number of salaried people has gone up while the number of wage earners has gone down?

Mr. ADAMS: The number of employees in supervision in the factory has remained within three people—it has remained the same from 1954 to 1960.

Mr. MANDZIUK: While the number of wage earners has decreased?

Mr. ADAMS: Decreased, yes, but not sizeably in relation to the over-all picture; but they have decreased, yes.

Mr. MANDZIUK: One more question and I shall pass. I know that the people most concerned with the purchase of farm implements would like to know why you cannot manufacture a diesel tractor such as you import from Italy—that is, why you cannot afford to manufacture it here in Canada? What is the reason for it? You have the materials and the know-how. Can you answer that in a few words?

Mr. ADAMS: We designed it and put it together and costed it, and found that we could not do it.

Mr. MANDZIUK: Why? That is what the farmers want to know.

Mr. ADAMS: Because it cost us too much money, that is why. The long and the short of it is that it cost us too much in material, and too much in labour.

Mr. MANDZIUK: Thank you.

Mr. FORBES: I have one supplementary question. Let us suppose it cost you \$1,200 for labour and material for one piece of equipment. Would your mark-up be 20 per cent, and would your agent put on another 20 per cent mark-up? Is that approximately correct?

Mr. ADAMS: No, when we take a mark-up, we have in mind the earnings that the dealer receives, and it is on the suggested retail price, and it is 20 per cent. The other figure you spoke of is built up on the factory cost, so these two do not line up.

Mr. FORBES: You have a basis for a mark-up on the manufacture of any article?

Mr. HORNER (*Acadia*): I think what Mr. Forbes is referring to is this: you take off something for the good name of the Cockshutt Farm Implement Company in respect to the sale of this Italian company's Fiat, because you give them service, and your wide distribution system, and at \$700 you are not doing it for nothing. In other words, you charge a mark-up on the tractor they are selling in order to cover the good name of the Cockshutt Company and in order to allow them, in a sense, to use your dealerships which you have established and developed.

Mr. ADAMS: Surely we add to our imported cost to distribute it and to back it up with service.

Mr. HORNER (*Acadia*): That is the point. What you do is to add to this distribution cost.

Mr. FORBES: I was thinking of the Fiat tractor, of which you stated the price to be \$2,795. You stated that your dealer gets a 20 per cent mark-up, and I assume your mark-up is also 20 per cent, which would make the cost of the tractor to you \$1,675. How far out am I on that?

Mr. ADAMS: I am unable to answer that.

Mr. MILLIGAN: I am concerned about farm tractors which come in, because they put a lot of people out of work. How much are you saving today by importing such a tractor in comparison with a tractor you could have made here in Canada?

Mr. ADAMS: A tractor we could have made in Canada would not have been competitive, price-wise.

Mr. MILLIGAN: Could you give us an idea of the figure at which it might have been made in Canada, or rather as to what difference there would be?

Mr. ADAMS: It would be somewhere in the neighbourhood of \$400 to \$500.

Mr. MILLIGAN: You said that volume makes a difference in price. Are you saving anything by bringing these tractors in and paying the extra price for these machines, whereby with a volume of tractors you might be able to keep the price of other machines level?

Mr. ADAMS: I would say there are many machines we have in our line which do that.

Mr. McCURDY: The number we sell would not affect the cost.

Mr. MILLIGAN: It seems to me that the farmers are not getting enough decrease, or difference in price, when you are pushing these tractors at the present time, but you tell us they cannot get it because there is such little difference in the price. Is it enough to be worth while?

Mr. ADAMS: We think it is about \$400 or \$500.

Mr. MANDZIUK: As Mr. Adams said, if they manufacture a light tractor here, it would not be competitive as against what manufacturer—the Canadian manufacturer, the big I.H.C., the Massey company, or competitive against imports?

Mr. ADAMS: As against world-wide competition. Since you mentioned I.H.C. and Massey, let me say that their tractors are imported from the United Kingdom.

Mr. MILLIGAN: Do you not mean that just certain parts are imported?

Mr. ADAMS: Not at all. The complete unit is imported in these cases.

The VICE-CHAIRMAN: It is now about a quarter to five. Is it your wish to try to complete our questioning of these witnesses this afternoon?

Mr. KORCHINSKI: I have all kinds of questions. I was willing to forego my questioning to somebody else, but very obviously you have established a somewhat different rule.

The VICE-CHAIRMAN: There is no different rule at all. Everybody is getting his say.

Mr. KORCHINSKI: Are you allowing us to ask supplementary questions?

The VICE-CHAIRMAN: You have asked some already.

Mr. DANFORTH: My questions are along the same line, but I do not think there is any repetition. It is this information that we are after, and I shall ask my question this way: turning to the financial report, I see there has been a drastic reduction in total sales, even though the prices of farm machinery have increased. Would I be safe in assuming that because of this reduction in total sales your plant today is not operating at capacity?

Mr. ADAMS: That is correct.

Mr. DANFORTH: Would it be a correct generalization?

Mr. BOULANGER: Mr. Chairman, we do not have a quorum.

The VICE-CHAIRMAN: Mr. Boulanger advises me that we do not have a quorum. So let us be at ease for a few minutes.

Gentlemen, we now have a quorum. We have six more members here. Is it the wish of the committee that we continue until 5.30 and complete this matter this afternoon.

Mr. HORNER (*Acadia*): How can you cut it off at 5.30?

The VICE-CHAIRMAN: If we could finish by 6.00 o'clock, then we might continue until then. Is it agreed that we try to finish by 6.00 o'clock?

Mr. KORCHINSKI: Otherwise, would you cut it off at 5.00 o'clock?

The VICE-CHAIRMAN: If we cannot complete this by 6.00 o'clock, then we will cut it off at 5.00 o'clock and come back this evening. Is it agreed that we continue and finish at 6.00 o'clock?

Agreed.

Mr. DANFORTH: I had asked the witness if the factory is operating at capacity. I was assured it is not. My next question is this: could he, by generalizing, give me what he considers the approximate percentage of capacity at which they operate at the present time?

Mr. ADAMS: I would say that we have closed the Smiths Falls plant and are working at about 65 per cent of our present capacity at Brantford.

Mr. DANFORTH: From the statements you have made, am I to understand that the suggested retail price at which you place the implements in the hands of the dealer is 20 per cent over what you charge him; or, in other words, it is a discount of 20 per cent.

Mr. ADAMS: Our dealers receive a discount of 20 per cent from the suggested retail price. Also there are other volume bonus discounts.

Mr. DANFORTH: There are other considerations?

Mr. ADAMS: Yes.

Mr. DANFORTH: That leads me into the next question. There are other arrangements with dealers. Could one of these be incentive purchases on his part in order to reduce inventory of the Cockshutt plant? In other words, would you, or do you, make a habit of giving added bonus incentives, or discount incentives, by reducing the price to him of any implement which might appear to be in an excess production capacity?

Mr. ADAMS: I believe your terminology is, "Do we make a habit of giving added discounts?"

Mr. DANFORTH: Does it happen? Could it conceivably happen that the company would do it in order to reduce inventory? I will put my question in a little different way. At the close, or near the end of a grain harvest season, or during the winter months, would there be an added incentive for a dealer to receive combines from you, or place orders for combines to create work during the winter months?

Mr. ADAMS: From time to time we do encourage our dealers to sell larger volumes by giving allowances or some special incentive. This is a special kind of incentive.

Mr. DANFORTH: I would imagine that would be a common practice among machine companies and not specifically common to Cockshutt alone.

Mr. ADAMS: This may be. I am saying what Cockshutt does. We do this on special occasions.

Mr. HOWE: May I ask a supplementary question? If a dealer sells 100 combines, does he receive a special discount at the end of the year, or is there any figure after which he gets a special incentive?

Mr. ADAMS: All dealers are on volume bonuses.

Mr. DANFORTH: I would like to go a little further into the pricing of machinery. This is what we are interested in. Some of the statements I have heard today have inferred that it is a common practice among machine companies to price their machines at what they feel is the price the traffic will bear. Is that a fair statement?

Mr. ADAMS: No; it is not a fair statement. When you speak about what the traffic will bear, this implies exploitation of the consumer, and that is synonymous with high profits. We do not have high profits, so I could not agree with you that this is a fair statement.

Mr. DANFORTH: I will put my question in another way. I think I can assume from your statements today that the price of a machine which is competitive to one you produce has a definite bearing on your price on the market. I inferred that from your statements today.

Mr. ADAMS: You say the cost has an effect on the price?

Mr. DANFORTH: No, your pricing is based on the price of your competitors on the market.

Mr. ADAMS: The market place is where the final price is set.

Mr. DANFORTH: I agree; but your statements are to the effect that it has a bearing on the price which you put on your machines.

Mr. ADAMS: Competitive pressures, yes.

Mr. DANFORTH: Then that could be your actual cost, plus any reasonable percentage, or it could be an excessive percentage, could it not?

Mr. ADAMS: Yes. It could be a loss.

Mr. DANFORTH: Could it be cost plus 40 per cent? Could it conceivably be your cost plus 40 per cent?

Mr. ADAMS: I would not want to speak to that.

Mr. DANFORTH: It must be a definite figure.

Mr. ADAMS: It could be a possible loss.

Mr. DANFORTH: It could be cost minus ten, or could be cost plus 20 or 30 within the realm of competition.

Mr. ADAMS: Or it could be cost plus 1.8 per cent.

Mr. DANFORTH: When you import a machine you charge a specific markup before you send that machine out to your dealers. I think it was stated by Mr. Horner that this is for the use of the Cockshutt name and your distributing facilities. There is a certain markup over the import price.

Mr. ADAMS: There are costs of distribution, yes.

Mr. DANFORTH: Does it go out to your dealers on the same basis of suggested retail price less 20 per cent?

Mr. ADAMS: We have a suggested retail price. I think Mr. McDonald quoted this to you on the tractor. The normal terms are list less 20 per cent.

Mr. DANFORTH: In other words, the farmer in effect is paying a double mark-up.

Mr. ADAMS: What do you mean by double mark-up?

Mr. DANFORTH: Will the price be the price at which the Cockshutt Company imports the machine laid down in Canada, plus a mark-up for distribution cost, plus a margin for profit and an additional mark-up for the dealer? Am I correct in assuming that?

Mr. ADAMS: I do not believe you are correct in assuming it is built up in the way you state. The price is set by competition; then there is a discount of 20 per cent on which the dealer is to do business.

Mr. DANFORTH: Am I correct in assuming that there is—there must be; you state you are not going to handle the tractor at a loss. You will not import it and handle it at a loss. You put on your distribution cost plus what you consider a reasonable profit, and then the dealer is allowed a discount for expenses plus a reasonable profit. Am I correct in assuming that?

Mr. ADAMS: We would like to make a profit on everything we sell.

Mr. DANFORTH: Then conceivably that could be a double mark-up over the list price, f.o.b.

Mr. ADAMS: I cannot go for your double mark-up terminology.

Mr. DANFORTH: Is it not a mark-up once for the Cockshutt Company and once for the dealer?

Mr. ADAMS: The Cockshutt Company is quite a separate entity from that of the dealer. The dealer is a private businessman who must make out himself just as the company must, which is a separate corporate body.

Mr. DANFORTH: Would you not agree, then, that there is a double mark-up so far as the farmer is concerned?

Mr. ADAMS: Well, you could go back and speak of raw materials and say that we purchase a generator—

Mr. DANFORTH: I fully intend to.

Mr. ADAMS: —and the generator manufacturer also would stay in business by covering his costs and a profit.

Mr. DANFORTH: Would or could an importer of tractors as a distributor operate under the same conditions?

Mr. ADAMS: I believe there are many people who are trying to import.

Mr. DANFORTH: I would still like you to say either yes or no in respect of this double mark-up.

Mr. ADAMS: Everybody along the line has to cover costs and make a profit in order to stay in the business.

Mr. DANFORTH: This is not a trick. I am not trying to get you to make a statement which is out of the way at all. I am just trying to verify this in my own mind and perhaps for the information of the committee. When the Cockshutt Company imports a tractor, before they put it in the hands of their dealer, they take into consideration certain costs together with a marginal profit for the transaction. That is good business; it must be. Would you answer yes or no?

Mr. ADAMS: I concede that there are multiple mark-ups all the way from the raw material to the finished product.

Mr. DANFORTH: I would like to confine it to this one.

Mr. ADAMS: I would think that this thing might be more properly thought of as one mark-up divided amongst these people that produce the product.

Mr. DANFORTH: Well, it goes through two major hands, though, does it not? Once it reaches Canada, it goes through the Cockshutt company, and then the Cockshutt distributor. Is that not true?

Mr. ADAMS: This would apply to all imports, yes.

Mr. DANFORTH: And, in each instance, there is a mark-up?

Mr. ADAMS: In each instance there is a cost and, in each instance, there is a mark-up.

Mr. DANFORTH: Yes, a double mark-up.

Mr. ADAMS: Two mark-ups, not a double.

Mr. DANFORTH: Well, if you wish to call it two mark-ups, I am satisfied with that. Then, as far as the farmer is concerned, there are two mark-ups on a foreign tractor.

Mr. ADAMS: As far as the farmer is concerned, there are multiple mark-ups.

Mr. DANFORTH: To follow that through, I understood you to say this morning—and I may be mistaken—when you conceived of the manufacture of a diesel for Canadian companies it was based on the buying of an engine. Am I correct in saying that?

Mr. ADAMS: That is correct.

Mr. DANFORTH: A diesel engine?

Mr. ADAMS: That is correct.

Mr. DANFORTH: And that would come, conceivably, from the United Kingdom or the United States?

Mr. ADAMS: Yes, the estimate was on a diesel engine from the United Kingdom.

Mr. DANFORTH: Am I correct in saying that the motors used for all Cockshutt tractors are importations? Do you manufacture your own specific motors here for your combines or tractors?

Mr. ADAMS: No, we do not.

Mr. DANFORTH: Does the same thing hold true in connection with the importations of other major units as it does with the importation of tractors?

Mr. ADAMS: We would imagine when we buy an engine from another manufacturer that he covers his costs and makes a profit.

Mr. DANFORTH: And so do you.

Mr. ADAMS: Not on that engine, on the final machine.

Mr. MANDZIUK: You must. You cannot operate without a profit.

Mr. ADAMS: We do, on the final machine.

Mr. DANFORTH: I am speaking of your normal business practices.

Mr. ADAMS: Yes.

Mr. DANFORTH: The engine is a major unit in a tractor.

Mr. ADAMS: Yes, this is a major component.

Mr. DANFORTH: So, in your pricing of that major unit, you are going to take into consideration your cost factors involved in that motor, plus a reasonable profit to Cockshutt?

Mr. ADAMS: On the whole machine, yes.

Mr. DANFORTH: So, in effect, when you put that in the hands of the dealer, we have the same thing there as we have with the importation of a European tractor; we have two mark-ups, as you put it.

Mr. ADAMS: Yes, we have multiple mark-ups, I agree. Even the steel is marked up.

Mr. DANFORTH: I am satisfied with your answers on this.

I have one more question, and this is a general one. A company such as Cockshutt, or any other farm machinery company, operates for the most part on what is going to happen in the future. They must, because of the very nature of their business. Could we have from you, in a general way, what Cockshutt predictions are for the next five years—what the company itself feels, and the period of time that Cockshutt uses for this. Do you see a continual increase in farm machinery? Do you see a levelling off, or do you see Cockshutt having a larger percentage of the farm market? What is Cockshutt's view or projection for the next three or five years? Use your own basis. I know that companies as large as Cockshutt do make these projections.

Mr. ADAMS: Well, we certainly are optimistic, and we aspire to a larger volume.

Mr. DANFORTH: But what is your feeling? I am asking this on behalf of the farmer. What will it be to the farmer? Do you foresee a gradual levelling off of prices or a continued increase in farm implement prices? That is the information I am seeking with this question, and then, Mr. Chairman, I will pass.

Mr. ADAMS: If the inflationary trend continues on all these items about which we have talked, quite conceivably the prices would continue to rise.

Mr. DANFORTH: It will have a definite bearing on these other factors which are pointed out in your graph, No. 6.

Mr. ADAMS: Oh, most decidedly. The only difference between what you see here and the Cockshutt Company are two things: volume and this 1.8 per cent return.

Mr. DANFORTH: The information I am trying to acquire is this: Does the company feel this is a trend, as portrayed in graph 6? Perhaps I have phrased my question wrongly. Do you foresee this trend continuing, on which Cockshutt are basing their future operations, or is there a feeling of optimism that this will level off? What is the thinking of the company?

Mr. ADAMS: We certainly hope that increases will level off, but to say we know the answer would be idle talk.

Mr. DANFORTH: Well, is there any thought that because of the direction labour is taking, that a major company such as yourself, because—and I spoke of the tractor importations—of the fact you are working, then, on a definite mark-up—if labour continues and your material prices increase—will be forced into the import market, rather than the Canadian manufacturing market; in other words, become a major distributor instead of a manufacturer?

Mr. ADAMS: This is too wide a question. We have shown where this happened on one machine. We certainly do not foresee discontinuing manufacture; on the other hand, everything is on an economical basis.

The VICE-CHAIRMAN: Have you a question, Mr. Milligan?

Mr. MILLIGAN: I will pass.

Mr. KORCHINSKI: Earlier, when I asked about your subsidiary operation, you stated that, in fact, it was an arrangement whereby you could perhaps expand—perhaps I should say, continue to operate, and you would not have to go on the money market, which is an expensive market. You felt this was good business, in a sense. However, we have had before this committee a Mr. Coburn. He appeared on May 29th and, in answer to a question about the operation of the industry, he said:

Yes, but if corporations would only satisfy themselves with a rate of profit which would enable them to pay a reasonable dividend, and then go into the money market for the money they need for expansion, in the same way as the farmer has to do, or the man in the city who wants to buy a house, they would be able to reduce prices substantially, and the purchasing power of the people of this country would be considerably greater.

Is it your experience that you have had difficulty getting money on the money market?

Mr. ADAMS: I would say that the first part of your question was: Why do we not pay reasonable dividends, or something of that nature?

Mr. KORCHINSKI: Yes. He has said that if the company would pay reasonable dividends, and then go into the money market for the money they need for expansion, they would be able to reduce prices substantially. I think that will enlighten you somewhat. He did say you were entitled to a fair profit, but he did not think you required that much to carry on your expansion program, from your own financing. My question is not with reference to that, but with reference to this: Do you have a problem in raising funds at any time?

Mr. ADAMS: "No" is the general answer to that question.

Mr. KORCHINSKI: You do not have a problem of raising funds? Did I understand you correctly?

Mr. ADAMS: Mr. Tees will reply.

Mr. TEES: At the moment we have no problem in raising funds for short-term purposes. On the expansion program, like everyone else, we have problems in raising capital, particularly if we do not pay any return to the investors.

Mr. KORCHINSKI: On page 13 of your brief you state you believe the increase in the price of farm machinery is not out of proportion with increased costs, and you go on to say:

What may be out of proportion is the much smaller increase in gross farm income,

—and this was indicated in your graph number VI. You say that if you close out the average hourly earnings, average steel costs and the price of farm machinery, there is somewhat of a relationship, but on the other side of the graph the farm net income and gross farm income is away below in proportion. You also showed a graph to indicate your net operations, and as a matter of fact you stated that in the last six years you did not pay any dividends.

Mr. ADAMS: That is right.

Mr. KORCHINSKI: That would indicate to me you would be interested in showing a greater profit for your company.

Mr. ADAMS: A reasonable return.

Mr. KORCHINSKI: But you would like to pay dividends and so on, which I would accept to be the normal thing. However, when the C.L.C. were here, as reported on page 1024 of the proceedings of evidence Mr. Burt indicated he would like to have the take-home pay increased eventually if the companies were producing more, because of the cost of living. I believe there was also reference in the submission to the fact that when most of the workers retired they did not have very much saved. That was the line he followed and it indicated to me the workers would expect more if productivity went up, and if your profits increased they would also expect more. What I am driving at is how in the world can we increase that other side of the graph, which is the one we need concern ourselves with, if we are to give the worker his increase and you an increase too? When will ever get the curve up on that side of the graph?

Mr. ADAMS: This is called the profits squeeze, the cost price squeeze that we and the farmer are experiencing.

Mr. KORCHINSKI: But you have indicated you are in trouble, and the worker says the cost of living is going up and he would like to have some increase. How shall we ever get this problem solved if we go on those lines?

Mr. BOULANGER: By fair prices for farm products. Increase the gross farm income.

Mr. KORCHINSKI: This is the very point I am trying to make, Mr. Boulanger. If we give better prices and the workers see the machine companies have made more sales and, as a result, have greater profits, the workers will take a slice of those profits and the farmers will still have to pay for the machinery.

Mr. BOULANGER: If the farmers make more money, they will not mind paying more.

Mr. KORCHINSKI: We shall have you as a witness in half an hour, Mr. Boulanger.

Mr. HORNER (*Acadia*): As a supplementary to that, I should like to read a quotation from the dominion bureau of statistics 1960 net farm income report, which has just been published, catalogue number 21-202. It says:

Taking in account changes in farm-held inventories of grains and live-stock, total net farm income for 1960 is estimated at \$1,358.4 million, 12.6 per cent above the revised estimate of \$1,206.3 million for 1959.

You show a deficit there, and are in the red.

Mr. FORBES: Since it has been admitted that farm machine companies have charged all the traffic will bear, if farm income is raised do you propose to increase the price of your machinery in proportion to the increase in farm income?

Mr. ADAMS: To my knowledge farm income is not considered a factor in the pricing of our machinery.

The VICE-CHAIRMAN: You are getting away from Mr. Korchinski's supplementaries.

Mr. KORCHINSKI: My supplementaries? You mean my original question. Now, I just want to read another statement made by Mr. Burt as reported at page 1024 of our proceedings. He said:

Let me tell you that if the technological changes keep the pace at which they have been going in recent years, in another ten years we will probably be demanding less hours of work and more money.

Apparently we are running into that difficulty, and at some place early in your submission you said we were going to have to import more from other countries.

Just before Mr. Burt made that statement, Mr. Bellingham said:

if I produce more and even went along with a wage reduction, that it would do your people on the farms any little good; because I am convinced that if there was any reduction in the cost price of farm implements, even through a reduction in wage costs, it would not be passed to the farmers.

Now we know that demand and dividends may be variable factors, and that is part of our difficulty, but would you be prepared to make a reduction in the price of your machinery if labour took a reduction in wages?

Mr. ADAMS: Remember, when we talk labour we talk farm implement labour and we also talk labour in purchasing parts, raw steel and other materials. If the cost of all these cost components went down, then certainly we would consider analyzing our prices of farm machinery.

Mr. KORCHINSKI: I do not know what percentage you are willing to place on labour in your total operations, but if labour were willing to pull its share of the load would you be prepared to reduce your costs by the same percentage?

Mr. ADAMS: Mr. Korchinski, you must remember what we are up against here. We are talking on a worldwide basis. We have already shown to you that the prices the farmers in Canada pay for a small diesel are essentially come about through a tractor manufactured in the United Kingdom. This means that all the labour in the world has something to say about the final cost, if it is a worldwide market, as we claim it is and as we firmly believe it is.

And I will say to you that the European common market will have a lot to say about this question in the future. This is a question of very grave concern to Cockshutt Farm Equipment. I will suggest this to all the manufacturers in this country.

Mr. KORCHINSKI: Your recommendation (c) on page 15 of your brief suggests that the harvesting machinery imported into western Canada after a certain fixed date, say June 15, be subjected to a dumping duty. Would you then say this would be advantageous to the farmer if competition has brought your prices down; and if these companies can bring it in cheaper after a certain date, why would we want to have this type of recommendation from the committee?

Mr. ADAMS: Is it of interest to the country that they have a farm implement industry?

Mr. KORCHINSKI: Yes, it is of interest to the country, but for what reason was this committee set up? It was set up to consider farm machinery. We were quite concerned with your welfare also. Let no one say differently. But I think we have an equal amount of pressure from farmers who indicated that the price was too high. That is why we want to study the whole problem. We may have to set up another inquiry about your own industry later, but I think this is our immediate problem.

Mr. ADAMS: I agree. All I can say is that the farmer is also interested in the health of the farm implement industry in Canada. This is as much of interest to the farmer as is, as Mr. Tees has said, the buying power of labour.

Mr. KORCHINSKI: That may be so. We can agree on a lot of these things, but would this recommendation not have the direct effect of increasing the price to the farmer? If you give me a simple answer I will quit right there. I am really concerned, because I think that this type of recommendation from this committee would not be to the advantage of the farmer, and I would like your reaction on this.

Mr. ADAMS: In the long run this might be so. By increasing our volume, putting us on a more healthy basis, the farmer might well stand the benefit from a Canadian farm implement industry.

Mr. KORCHINSKI: You are talking in terms of the Canadian industry and yet you also tell us that world wide competition determines the price. If it is world wide competition, and they can produce implements cheaper, I fail to see where you can have enough volume to produce this desired effect.

Mr. ADAMS: This is problematic; it disturbs us as much as you.

Mr. KORCHINSKI: I will pass on.

Mr. McINTOSH: I almost forgot my question. Mr. Adams, I think you said that in determining your suggested retail price to the ultimate purchaser, that volume cannot be underrated to cost. I will ask if your volume was increased, would your profits be higher?

Mr. ADAMS: May I rephrase your question as I understand it? You say that if our volume were increased, our profit would be higher. An increase in volume would generally lead you to believe that there would be an increase in profit. However, it would depend on the reaction in the market place at such time as this took place.

Mr. McINTOSH: If your volume was increased, would the prices to the farmer be reduced?

Mr. ADAMS: I think they might tend to be.

Mr. McINTOSH: In the years when you showed a large profit in your graph, was your volume at that time above average? I will repeat the question. On your graph you showed that you made an 11 per cent profit. Was your volume above average at that time?

Mr. ADAMS: In 1952 and 1953 our volume was higher.

Mr. McINTOSH: Were there any other factors that could contribute to your increase in profit at that time?

Mr. ADAMS: Larger distributors and U.S. sales; perhaps a simpler product, and essentially increased volume.

Mr. McINTOSH: When you analyzed the lowest point where you lost 7.5 per cent, what was your deduction?

Mr. ADAMS: Essentially that the volume, as I quoted earlier, dropped terrifically in that year.

Mr. McINTOSH: Could you tell me to what extent your volume would have to increase to bring your profit to, say, around 8 per cent from what it was last year?

Mr. ADAMS: It depends on the products mix and what was sold at that time. In these years we made essentially one model of tractor—in the earlier years. That was what was demanded by the market. Since that time conditions have changed, the products mix has changed. I am afraid that will have to be your answer.

Mr. McINTOSH: Would you say your products mix extensive means so many different machines that your profit went down, that you are in too extensive a field?

Mr. ADAMS: Not necessarily.

Mr. McINTOSH: It seems to me that when I asked you what contributed to this 5.3 per cent, you were confined to future types of machines which gave you a greater profit.

Mr. ADAMS: I did not say future types of machines.

Mr. McINTOSH: You said a products mix. I do not know what you mean by that.

Mr. ADAMS: I did not say fewer types of machines.

Mr. McINTOSH: You said "products mix". I do not know what you mean.

Mr. ADAMS: I said "simpler machines" and less models of any one type.

Mr. McINTOSH: You have no interest, then, in projecting into the future, in regard to volume that would bring your return to your shareholders up to where you feel it should be?

Mr. ADAMS: The main thing which has happened here, Mr. McIntosh, I should say is that this was the end of the pent-up demand for farm machinery following world war II. This market has been largely satisfied by the end of 1952.

Mr. McINTOSH: But prices did not reduce after that. They increased.

Mr. ADAMS: So did everything else. I would say to you, sir, that since this time the necktie you are wearing has also increased, and the shirt, and the car you drive, and everything else.

Mr. McINTOSH: It is your business to see that your shareholders get a fair return on their money. What is going to be the policy of your company in the future in regard to volume, or your prime cost? Are you going to reduce it, and if so, how can you?

Mr. ADAMS: I would have to say that our policy is to increase our volume, and as to how can we—by hard work.

Mr. McINTOSH: You feel that the volume will bring up the return to your shareholders?

Mr. ADAMS: Yes, we do.

Mr. McINTOSH: My second question is in regard to something I referred to before. This is on page 9, where you say:

While the company supposedly charges a standard rate for farmer credit, competition is so keen that it is necessary to accept many interest free notes.

You said 25 per cent of your sales were time sales. What of interest do you charge on those? Is it 6 per cent?

Mr. ADAMS: We stated it before, that we charge $11\frac{1}{2}$ per cent on other than those that we give on interest free notes. That $11\frac{1}{2}$ per cent is on a declining balance.

Mr. McINTOSH: Then, would it be fair to say that over 50 per cent of the amount of machines that you put out on notes is interest free? Otherwise, where do you get this 3 per cent which has actually decreased your earnings?

Mr. ADAMS: Over 50 per cent is a reasonable figure.

Mr. McINTOSH: One of my colleagues here says that more farmers should know about that interest free clause you have.

Mr. ADAMS: An interest free clause, as you put it, is not a part of a normal agreement. We could never afford to do that. This happens on occasion and as far as we are concerned, it has been happening on too many occasions, but this is a condition of the market brought on by competition.

Mr. McINTOSH: Is your interest free term not applied to wholesalers and distributors rather than to the farmer?

Mr. ADAMS: No, quite decidedly no. It applies to the farmer. That is why the effective rate, the percentage on the money loaned, is around 3 per cent.

Mr. HORNER (*Jasper-Edson*): What criteria do you use to determine which farmers get the interest free notes? Does it depend on the size?

Mr. ADAMS: Competition.

Mr. PASCOE: On page 9 of your brief, in regard to financing the dealers and buyers with F.I.L.A. loans available, what percentage of your sales is financed through the company? Why are not the farmers using F.I.L.A.?

Mr. ADAMS: We do not know how many of our customers use F.I.L.A.

Mr. PASCOE: How many people are using it, as a percentage of your sales?

Mr. ADAMS: 25 per cent.

Mr. PASCOE: On page 11 of your annual report, you say:

There is a contingent liability of \$1,770,000 in respect of customers' notes under discount.

Will that eventually be wiped off or does it go into your operating cost? Do they finally settle up that liability?

Mr. ADAMS: That will be eventually wiped off.

Mr. McINTOSH: Would you say that wages, transportation and material are higher in the United States of America than in Canada?

Mr. ADAMS: I would not be prepared to generalize on that. We know this wage rate we have indicated is higher.

Mr. McINTOSH: Do you know if any of them are lower than they are in Canada—transportation or materials?

Mr. ADAMS: In our experience, material is about the same. I do not believe that would apply, though, to purchased parts containing a great deal of labour. It could not be otherwise—with the labour rates that they have.

Mr. McINTOSH: Would you say that United States firms produce cheaper than Canadian firms?

Mr. ADAMS: I am not aware of their cost figures.

Mr. BOULANGER (*Interpretation*): I would like to put a question to the witness. If I look at the agricultural price index I know that in 1950 the index for agricultural prices was 260.8, in 1951 it was 296.8, whereas in 1959 it had gone down to 242.9. Do you not feel that if there had been an actual increase in the price of agricultural products the farmer would be in a better position to buy farm machinery?

Mr. ADAMS: Yes, certainly.

Mr. BOULANGER (*Interpretation*): Further to that, I note here on page 66 of our proceedings that in 1950 the net income per acre was \$14.94, as against \$23.49 in 1951, whereas in 1959 it had gone down to \$13.97. Again I put the same question—do you not feel this is an explanation why the farmer is not in a position to buy as much farm machinery as before, and therefore your position would improve if the farmers' income improved.

The VICE-CHAIRMAN: Mr. Boulanger, I think the chair has been very lenient with you. You are inclined to go somewhat into the question of farm income. That is a question which can be debated in the house some day.

Mr. MANDZIUK: We are investigating the price of farm machinery. The price of farm machinery has gone up and we are trying to find out the reason.

Mr. HORNER (*Acadia*): You have decided to import this diesel tractor in the 3-2 furrow class. Do you think it is economical for a farmer to buy a diesel tractor in that small ratio size?

Mr. ADAMS: If he uses the tractor for 600 hours or more, it is a more economical proposition.

Mr. HORNER (*Acadia*): You have decided to do this because of cheaper production costs, apparently, in another country besides Canada. Agreed?

Mr. ADAMS: Yes.

Mr. HORNER (*Acadia*): Has Cockshutt ever considered going into farm implement manufacturing in any other country besides Canada?

Mr. ADAMS: We studied it in various countries and we have it under study in several others, but the result has never come about—principally, I suppose, because, of the capital investment and a number of other considerations.

Mr. HORNER (*Acadia*): These are things on which you determine your volume, and to quite an extent, because it determines your price to some extent. Do you not think that if you set up a factory, let us say, in Japan, that you might then export to Canada, because Canada is a country where agricultural implements come in free of any duty, and you could then take full advantage of the Farm Improvement Loans Act and one could perhaps purchase a tractor at one-half the price we are paying now?

Mr. ADAMS: I submit that this is being done with more than one manufacturing firm on this continent.

Mr. HORNER (*Acadia*): But you have never actually done it yourselves, other than in your operation of purchasing a tractor manufactured by another company?

Mr. ADAMS: Not on a large scale, no.

Mr. KORCHINSKI: I have before me your annual report where you say that your 1959 sales were almost equal to your 1960 consolidated sales; and I know that your percentage of profit on Cockshutt sales was 5 per cent in 1959-60. Could you indicate to what this drop could be attributed, when your sales were comparable?

Mr. ADAMS: You are looking at the consolidated statement, are you not?

Mr. KORCHINSKI: Yes.

Mr. ADAMS: We had a substantially lower profit on the Brantford Coach and Body at that time.

Mr. KORCHINSKI: Did you retire any debt in 1959?

Mr. ADAMS: Yes, we did.

Mr. KORCHINSKI: Was it just about comparable to your 1960 debt retirement?

Mr. ADAMS: On page 15, column 6, on the right-hand side, long-term debt in 1959 is shown as \$7,915,061, and approximately \$800,000 of this was retired in 1960.

Mr. KORCHINSKI: I notice that your inventory went down. Does this not necessarily reflect that your percentage of profits could have gone down, again if you had the same kind of year the next year, because your inventories would be lower?

Mr. ADAMS: We hope that we have our inventories in a sounder position.

Mr. KORCHINSKI: You indicated that your wage scale in 1959 was \$2.08, and that in 1960 it was \$2.17.

Mr. ADAMS: I gave that paper away. I think that was it.

Mr. KORCHINSKI: I wonder if you could tell us what this increase has meant to your company?

Mr. ADAMS: Well, it has meant higher costs.

Mr. KORCHINSKI: I mean in dollars and cents. I wondered what the net total of increase would amount to?

Mr. ADAMS: About \$600,000 per year.

Mr. HORNER (*Acadia*): You say \$600,000?

Mr. ADAMS: Yes.

The VICE-CHAIRMAN: Gentlemen, at this time I wish to thank the witnesses for appearing before us today. I believe they have done their best to answer the questions. We were pleased to have you with us. The committee will meet again on Friday morning, in camera.

APPENDIX "A"

STATEMENT OF CONSOLIDATED EARNINGS

COCKSHUTT FARM EQUIPMENT LIMITED

For the Years Ended October 31, 1960 and 1959

	1960	1959
Sales.....	\$ 38,790,452	\$ 38,720,577
Deduct:		
Cost of goods sold including selling, general and administrative costs other than the items set out below.....	\$ 35,298,979	\$ 34,591,093
Executive remuneration.....	91,301	102,000
Directors' fees.....	8,875	7,400
Interest on long term debt.....	366,046	401,991
Interest on bank loans.....	782,379	561,964
Depreciation—buildings and equipment.....	894,920	975,552
Legal fees.....	58,272	23,424
	<u>\$ 37,500,772</u>	<u>\$ 36,663,424</u>
Operating profit.....	\$ 1,289,680	\$ 2,057,153
Add:		
Profit on disposal of property, etc.....	46,262	46,051
Profit for the year before income taxes.....	\$ 1,335,942	\$ 2,103,204
Provision for income taxes.....	36,296	290,040
Net profit for the year.....	<u>\$ 1,299,646</u>	<u>\$ 1,813,164</u>

STATEMENT OF CONSOLIDATED EARNINGS RETAINED FOR USE IN THE BUSINESS

Balance at beginning of year.....	\$ 9,367,315	\$ 7,554,151
Net profit for the year, as above.....	1,299,646	1,813,164
Balance at end of year.....	<u>\$ 10,666,961</u>	<u>\$ 9,367,315</u>

CONSOLIDATED BALANCE SHEET

COCKSHUTT FARM EQUIPMENT LIMITED

As at October 31, 1960 and 1959

LIABILITIES

ASSETS

	October 31 1960	October 31 1959		October 31 1960	October 31 1959
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash in bank and on hand.....	\$ 1,063,466	\$ 1,651,276	Bank loans—secured.....	\$ 5,018,958	\$ 7,818,714
Accounts and notes receivable less allowance for doubtful accounts.....	12,534,887	12,242,143	Accounts payable and accrued charges.....	3,541,776	4,160,945
Inventories valued at the lower of cost or market.....	17,697,424	20,603,559	Taxes including income taxes.....	88,539	285,526
Investments in other companies—shares and debentures at cost—redeemable at par....	162,000	187,000	Portion of long term debt due within one year (Note 3)	617,500	687,000
Total current assets.....	\$ 31,457,777	\$ 34,683,978	Total current liabilities.....	\$ 9,266,773	\$ 12,952,185
INVESTMENT IN PARTLY OWNED SUBSIDIARY.....			LONG TERM DEBT.....(Note 3)		
	\$ —	\$ 10,768		\$ 7,107,061	\$ 7,915,061
DEFERRED CHARGES TO FUTURE OPERATIONS....	372,509	309,183	RESERVE FOR CONTINGENCIES.....	2,500,000	2,500,000
PATENTS.....	1	1	CAPITAL AND UNAPPROPRIATED EARNINGS:		
			Capital—authorized 2,000,000 common shares without nominal or par value		
LAND, BUILDINGS AND EQUIPMENT.....(Note 2)	24,283,705	23,504,820	—issued.....(Notes 4 and 9)	10,667,129	10,535,179
			Capital surplus.....(Note 5)	1,304,600	1,304,600
Less: Accumulated depreciation.....	14,601,468	13,934,410	Earnings retained for use in the business.....	10,666,961	9,367,315
	\$ 9,682,237	\$ 9,570,410		\$ 22,638,690	\$ 21,207,094
	\$ 41,512,524	\$ 44,574,340		\$ 41,512,524	\$ 44,574,340
			Signed on behalf of the Board:		
			B. M. Bechhold } Directors		
			R. C. Tees }		

The notes to the financial statements are an integral part of the above statement.

STATEMENT SHOWING CHANGES IN WORKING CAPITAL

COCKSHUTT FARM EQUIPMENT LIMITED

For the Year Ended October 31, 1960

INCREASES TO WORKING CAPITAL:

Consolidated profit for the year	\$1,299,646
Portion of cost of buildings and equipment allocated to current operations (depreciation) which did not require an outlay of funds.....	894,920
Book value of fixed assets sold.....	64,977
Proceeds from sale of capital stock.....	131,950
Reduction in investment in subsidiary not consolidated.....	10,768
	<u>\$2,402,261</u>

DECREASES TO WORKING CAPITAL:

Additions to land, buildings and equipment.....	\$1,071,724
Increase in deferred charges.....	63,326
Reduction in long term debt.....	808,000
	<u>\$1,943,050</u>

Resulting in an increase in working capital of:.....	<u>\$ 459,211</u>
--	-------------------

NOTES TO THE FINANCIAL STATEMENTS

October 31, 1960

1. Consolidation:

The assets, liabilities and earnings of Cockshutt Farm Equipment Incorporated and Bellevue Realty Corp., United States Companies have been included in the accompanying consolidated statements on the basis of U.S. \$1.—Canadian \$1. Compared with the Canadian dollar the U.S. dollar was at a discount of 2 $\frac{3}{4}$ % and 5 $\frac{5}{8}$ % at October 31, 1960 and October 31, 1959 respectively. The net current assets of United States Companies included in the consolidated balance sheet amounted to U.S. \$2,771,528 at October 31, 1960 and U.S. \$4,383,682 at October 31, 1959.

2. Land, Buildings and Equipment:

Stated at gross replacement values as appraised by the Canadian Appraisal Company Limited (Smiths Falls plant at August 1, 1912; other parent Company plant at November 30, 1934) with subsequent additions at cost plus unamortized toolage and development costs. There is also included in the gross value an amount of \$62,535 representing securities deposited with the Trustee for the Brantford Coach Realty Limited first mortgage sinking fund bonds Series "A" for the further construction of buildings and the acquisition of additional equipment.

3. Long Term Debt:

	Maturity Date	1960	1959
Cockshutt Farm Equipment Limited			
4 $\frac{1}{2}$ % First mortgage sinking fund bonds Series "A".....	October 1, 1965	\$2,969,000	\$3,243,000
5% Convertible sinking fund debentures.....	February 1, 1968	3,217,500	3,532,000
Cockshutt Farm Equipment Incorporated			
Mortgage payable—due October 31, 1962 in U.S. currency bearing interest at 3% on U.S. \$202,071 and 4% on U.S. \$124,990 principal repayable by instalments....	October 31, 1962	327,061	577,061
Brantford Coach Realty Limited			
6% First mortgage sinking fund bonds Series "A".....	February 15, 1978	1,211,000	1,250,000
		<u>\$7,724,561</u>	<u>\$8,602,061</u>

	1960	1959
Less:		
Portion due within one year shown as current liability:		
4½% First mortgage sinking fund bonds Series "A".....	\$ 286,000	\$ 274,000
5% Convertible sinking fund debentures.....	81,500	163,000
Mortgage payable.....	250,000	250,000
	<u>\$ 617,500</u>	<u>\$ 687,000</u>
Total Long Term Debt.....	<u>\$7,107,061</u>	<u>\$7,915,061</u>

4. Capital:

	Shares	Amount
Issued:		
As at October 31, 1959.....	1,086,085	\$10,535,179
During the year—for cash.....	9,350	65,450
—on conversion of debentures.....	2,660	66,500
As at October 31, 1960.....	<u>1,098,095</u>	<u>\$10,667,129</u>

Options expiring on March 26, 1961 are held by employees for the purchase of 1,900 shares of common stock of the Company at \$7 per share.

Mr. B. M. Bechhold, holds an option expiring on February 24, 1962 for the purchase of 100,000 shares of common stock of the Company at \$16 per share.

5. Capital Surplus:

Represents the original excess of net assets book value of investment in a wholly-owned subsidiary company consolidated in these statements and in the assets acquired from a former subsidiary, less certain losses on realization of fixed assets.

6. Income taxes:

The current year's provision for federal income taxes consist of the normal income taxes payable on the profits earned by a subsidiary. No federal income tax is payable on profits of the parent and other subsidiary companies as a result of the carry-forward for tax purposes of prior years' losses and provisions for depreciation charged in the accounts but not previously claimed or allowed. Apart from such losses and provisions consolidated net profit for the year ended October 31, 1960 would have been reduced by additional income taxes of approximately \$742,000.

7. Employees' Pension Fund:

In accordance with the pension agreements with the employees of the consolidated companies there was an unfunded actuarial liability for past service as at October 31, 1960 of \$3,588,105. The relative provision for the instalments applicable to the year ended October 31, 1960 has been included in the operating accounts.

8. Contingent Liability:

There is a contingent liability of \$1,770,000 in respect of customers' notes under discount.

9. Acquisition of N. K. Winston-Sanson Florida Corp.:

On December 13, 1960 the Company acquired all the issued and outstanding shares of the N. K. Winston-Sanson Florida Corp. (Florida Corporation), in exchange for 380,000 shares of the unissued common stock of the Company.

Of the 380,000 shares issued to the Florida Corporation stockholders, 330,000 shares were immediately transferred to the Bank of Montreal Trust Company, New York, as escrow agent under an escrow agreement providing for release of the escrow shares under certain terms and conditions as contained in the agreement dated July 13, 1960 between the stockholders of the Florida Corporation and the Company, a summary of which is attached. The business of the Florida Corporation is that of investing in, acquiring, developing and selling real estate properties and interests therein.

SUMMARY OF AGREEMENT DATED JULY 13, 1960
BETWEEN STOCKHOLDERS OF N. K. WINSTON-SANSON
FLORIDA CORP. AND COCKSHUTT FARM EQUIPMENT LIMITED

*The following summary is not complete and reference should be made
to the agreement for the full terms and provisions*

All the issued and outstanding shares of N. K. Winston-Sanson Florida Corp. (Florida Corporation) are to be delivered to Cockshutt Farm Equipment Limited (Cockshutt) on a closing date (not later than December 15, 1960) to be determined. An aggregate of 380,000 shares of Cockshutt will be issued to the Florida Corporation stockholders on the closing date, but 330,000 of such shares will be immediately transferred by them to Bank of Montreal Trust Company, New York, as escrow agent under an escrow agreement providing for release of the escrowed shares under certain terms and conditions:

- (1) At any time after six months from the closing date, 30,000 shares will be released upon the request of one of the Principal Stockholders of the Florida Corporation (Messrs. N. K. Winston, Stanton D. Sanson and J. E. Davis);
- (2) the remaining 300,000 shares of Cockshutt may be released to the Florida Corporation stockholders upon the basis of release requests filed with the escrow agent by the Principal Stockholders of the Florida Corporation and stating the facts by which the release is permissible.

Such release requests may be filed from time to time for a period of five years from the closing date except that the Florida Corporation stockholders will have a period of six additional months, if needed to complete the final release request. Any shares remaining in escrow at the end of such period will be returned to Cockshutt for cancellation.

The Florida Corporation stockholders will be entitled to obtain the release from escrow of 15,000 shares of Cockshutt for each \$550,000 of Unused Realized Value developed by the Florida Corporation. Unused Realized Value means the aggregate of Realized Values up to the date of a release request less the amount of such Realized Values on the basis of which shares of Cockshutt have been previously released from escrow.

Realized Value means the sum of the following:

- (a) The amount actually received (including the principal amount of any mortgage assumed by the purchaser or to which it takes subject) on the sale of any undeveloped property owned by the Florida Corporation on March 31, 1960 less cash expenses of such sales, including a provision for federal income taxes, plus an amount equal to ten times the interest (after provision for federal income taxes on such interest) on the unpaid balance of the sales price for the first twelve months after the sale; provided, however, that with respect to any sale when 43% of the sales price is received in cash, the Realized

Value shall equal the sales price, including any interest actually received, less expenses of the sale and provision for federal income taxes.

- (b) With respect to sales of undeveloped property acquired by the Florida Corporation after March 31, 1960, the sales price thereof (including the principal amount of any mortgage assumed by the purchaser or to which it takes subject) less expenses of sale, provision for federal income taxes and cost of acquisition; provided, however, that no such sale shall be taken into account until at least 43% of the sales price actually has been received.
- (c) With respect to sales of developed or improved land, the sales price thereof (including the principal amount of any mortgage assumed by the purchaser or to which it takes subject) less cash expenses of sale, provision for federal income taxes, the Florida Corporation's costs of development and/or improvement since March 31, 1960 (net of applicable depreciation) and, if the property was acquired after March 31, 1960, the cost of acquisition; provided, however, that no such sale shall be taken into account until at least 43% of the sales price actually has been received.
- (d) Subject to certain limitations, an amount computed on the basis of the rental, interest, royalties and other items of recurring income received during the preceding twelve months.
- (e) Non-recurring and other income items not covered by the preceding sub-paragraphs.

The agreement also contains provisions for the release of additional Cockshutt shares to the Florida Corporation stockholders from the escrow at the termination thereof, (assuming that all of the escrowed shares have not been previously released pursuant to the terms of the agreement) on the basis of treating as Realized Values amounts not taken into account because of the 43% provision. Also the agreement, provides for the release at that time of one Cockshutt share for each \$56.67 of net appraised value of unsold properties then owned by the Florida Corporation.

In addition, the Florida Corporation stockholders will be entitled to the release of all Cockshutt shares then held in escrow upon the happening of any of the following:

- (a) Whenever the total Realized Values covered by release requests exceed \$5,500,000, if at such time the net appraised value of the Florida Corporation's properties is at least \$8,500,000.
- (b) Whenever the total Realized Values, even though not covered by release requests because of the 43% rule, equal at least \$11,000,000.

Voting of the shares of Cockshutt while such shares remain in escrow will be carried out by the escrow agent generally in conformity with the joint instructions of Norman K. Winston and the Chairman of the Board of Cockshutt. Any dividends payable in respect of shares of Cockshutt in escrow will be paid to the persons who may be entitled to the release of such shares.

The agreement contains provisions whereby, during the period that shares of Cockshutt remain in escrow, the Principal Stockholders may not be deprived of the executive management of the Florida Corporation through the removal of, or failure to elect the Principal Stockholders or their designated representatives as a majority of the Board of Directors of the Florida Corporation under penalty of release of shares remaining in escrow; provided, however, any such persons may be removed as officers and directors of the Florida Corporation for a failure to conduct the business of the Florida Corporation consistently with good business practice for a corporation of its type.

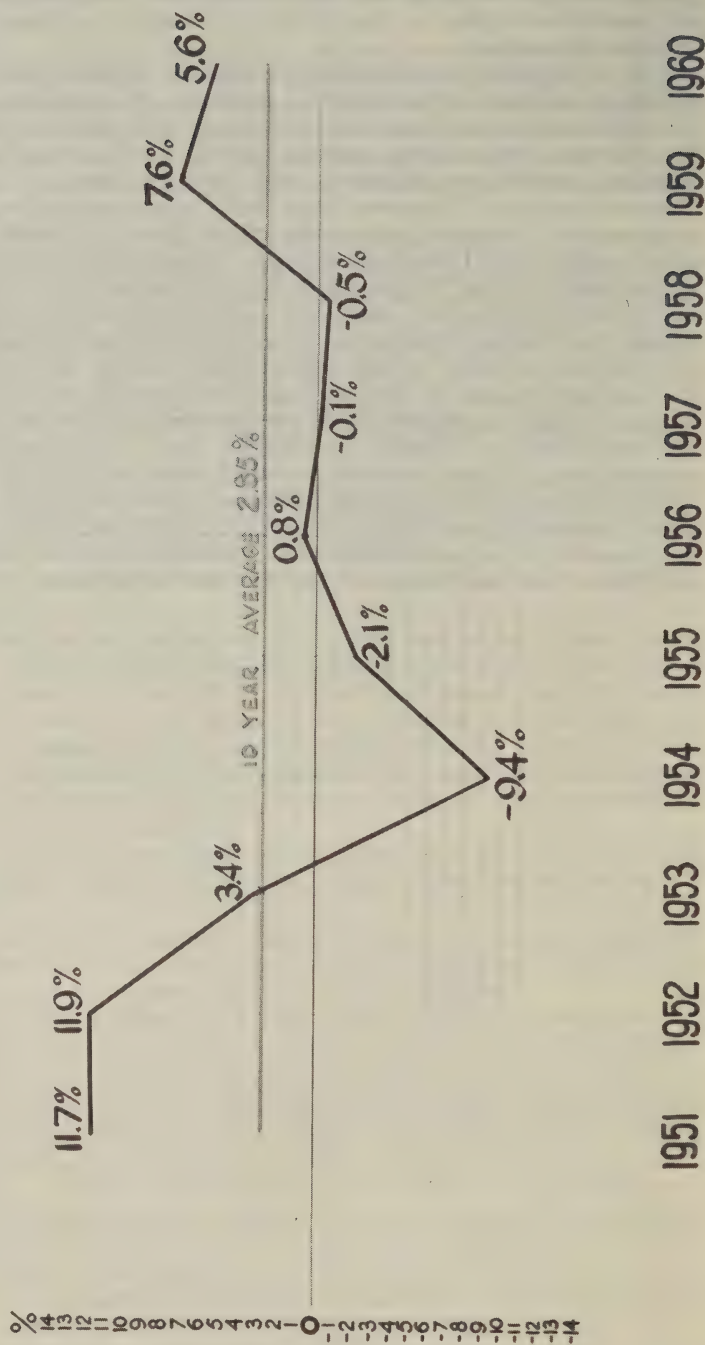
The Principal Stockholders of the Florida Corporation have agreed that, for at least the period of escrow plus one year, they will not engage in similar or related activities, in the State of Florida, to those carried on by the Florida Corporation.

It is expected that after closing Messrs. Winston and Sanson will be proposed for election to the board of directors of Cockshutt.

The contract provides that Cockshutt will continue the arrangements for the Florida Corporation's existing lines of credit up to \$2,000,000, if existing banking institutions extending such existing lines of credit are agreeable thereto; provided, however, that such continuation be made without the requirement of personal guarantees of the Principal Stockholders. The contract also provides that Cockshutt will use its best efforts in co-operation with the management of the Florida Corporation to secure for the Florida Corporation on desirable terms, any additional capital necessary or desirable in order to enable the Florida Corporation to carry out its development programme. There is a further provision in the contract that, during the period that any shares of Cockshutt remain in escrow, Cockshutt will not, unless the Principal Stockholders or their successors shall have consented in writing thereto, (a) merge or consolidate the Florida Corporation into or with another corporation or corporations, (b) pay dividends or effect other distributions on the stock of the Florida Corporations, (c) issue additional shares of Florida Corporation or dispose of shares acquired by it at the closing, (d) liquidate the Florida Corporation or dispose of all or substantially all its assets or, with certain exceptions, pledge or hypothecate any shares of the Florida Corporation.

GRAPH No I

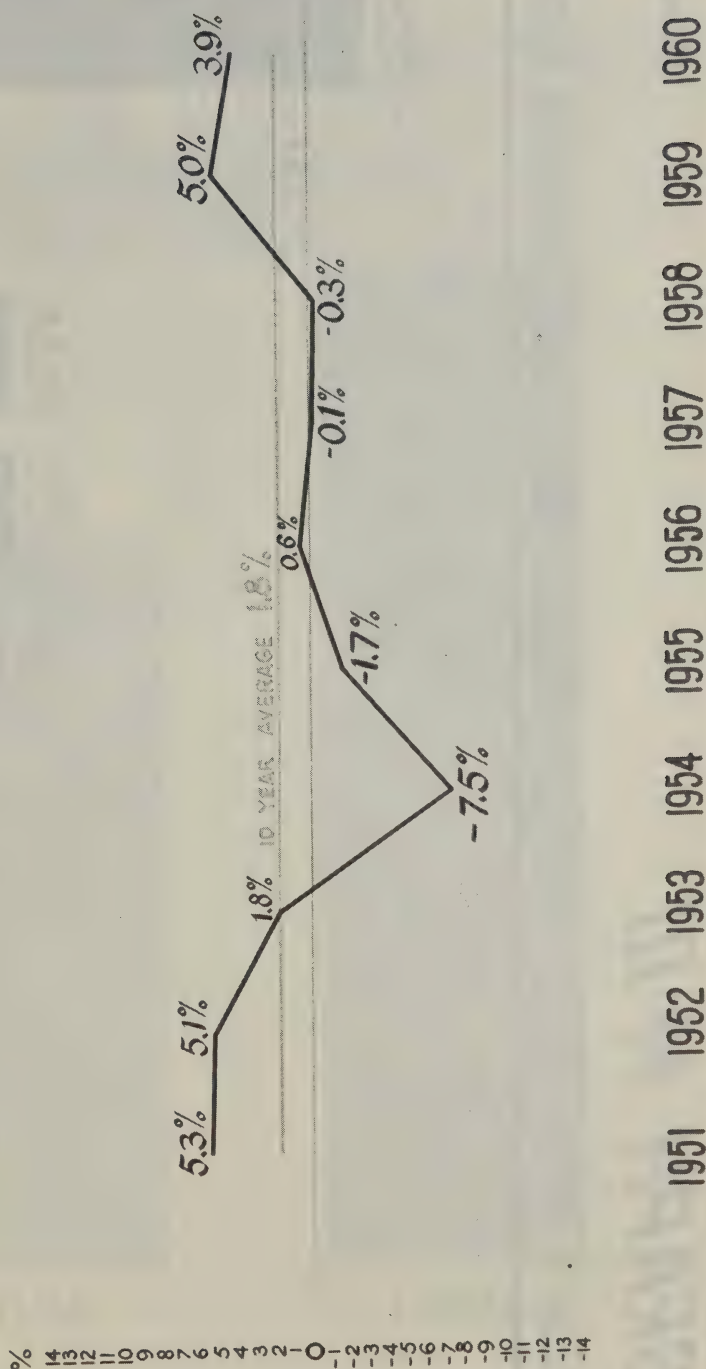
% RETURN ON INVESTMENT COCKSHUTT FARM IMPLEMENT DIVISION



APPENDIX "C"

GRAPH No II

% PROFIT ON COCKSHUTT SALES TO DEALERS & DISTRIBUTORS



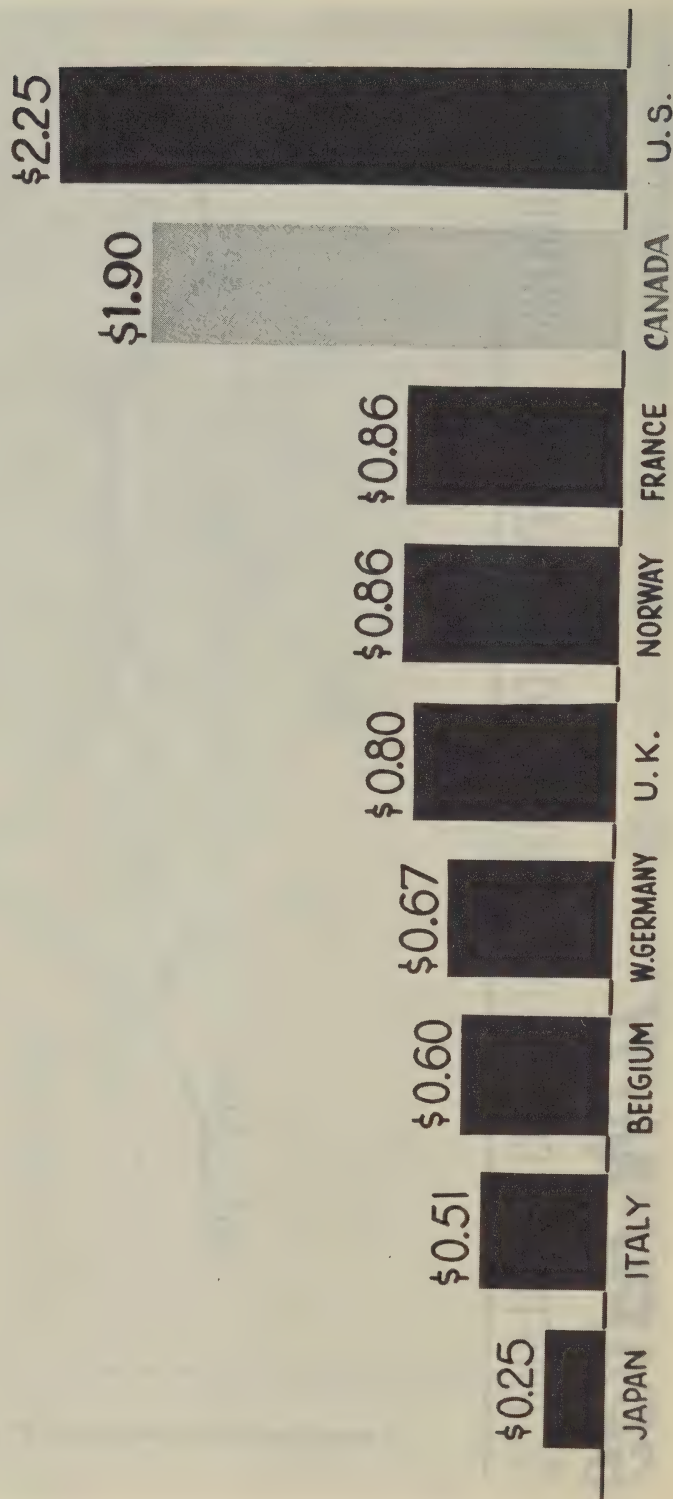
GRAPH No III

1194

APPENDIX "D"

STANDING COMMITTEE

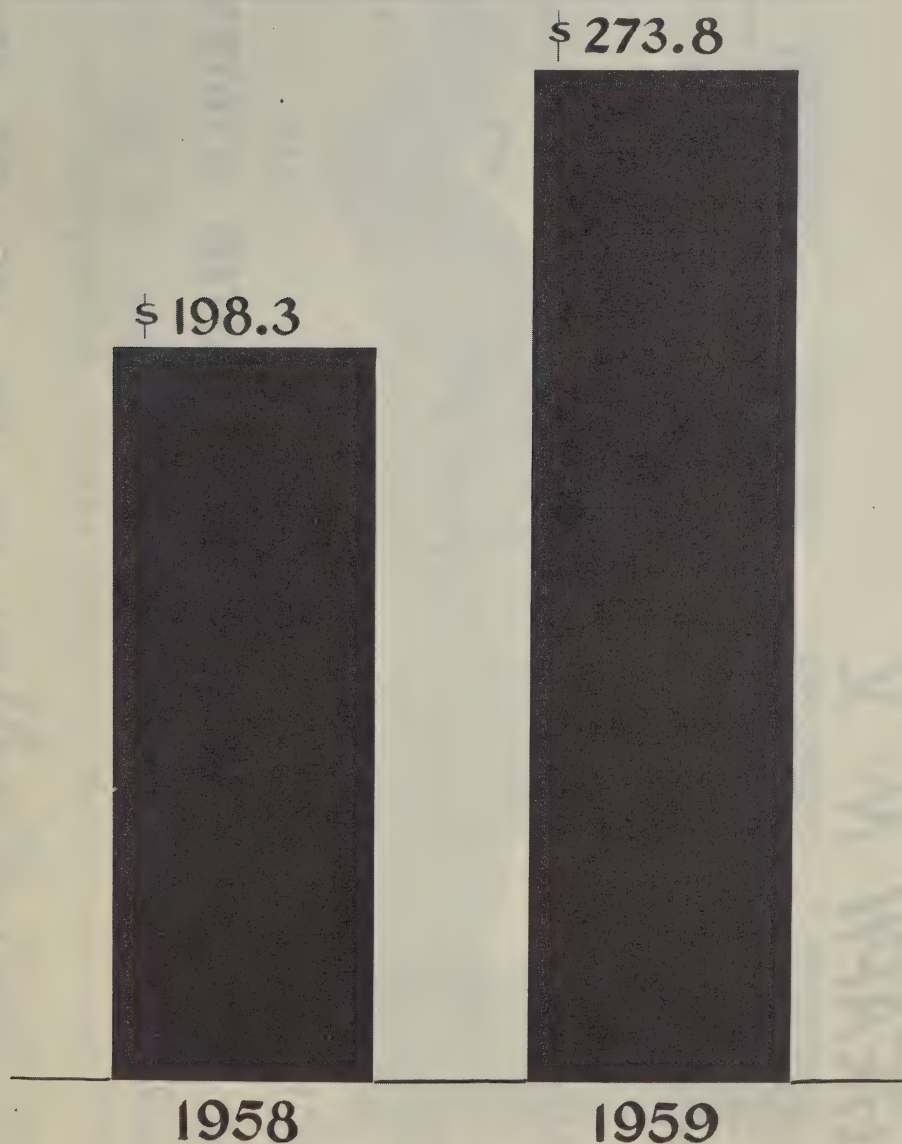
HOURLY WAGE RATES PAID IN FOREIGN COMPETITIVE MANUFACTURING



GRAPH No IV

APPENDIX "E"

TOTAL IMPORTS OF FARM IMPLEMENTS AND MACHINERY (MILLIONS OF DOLLARS)

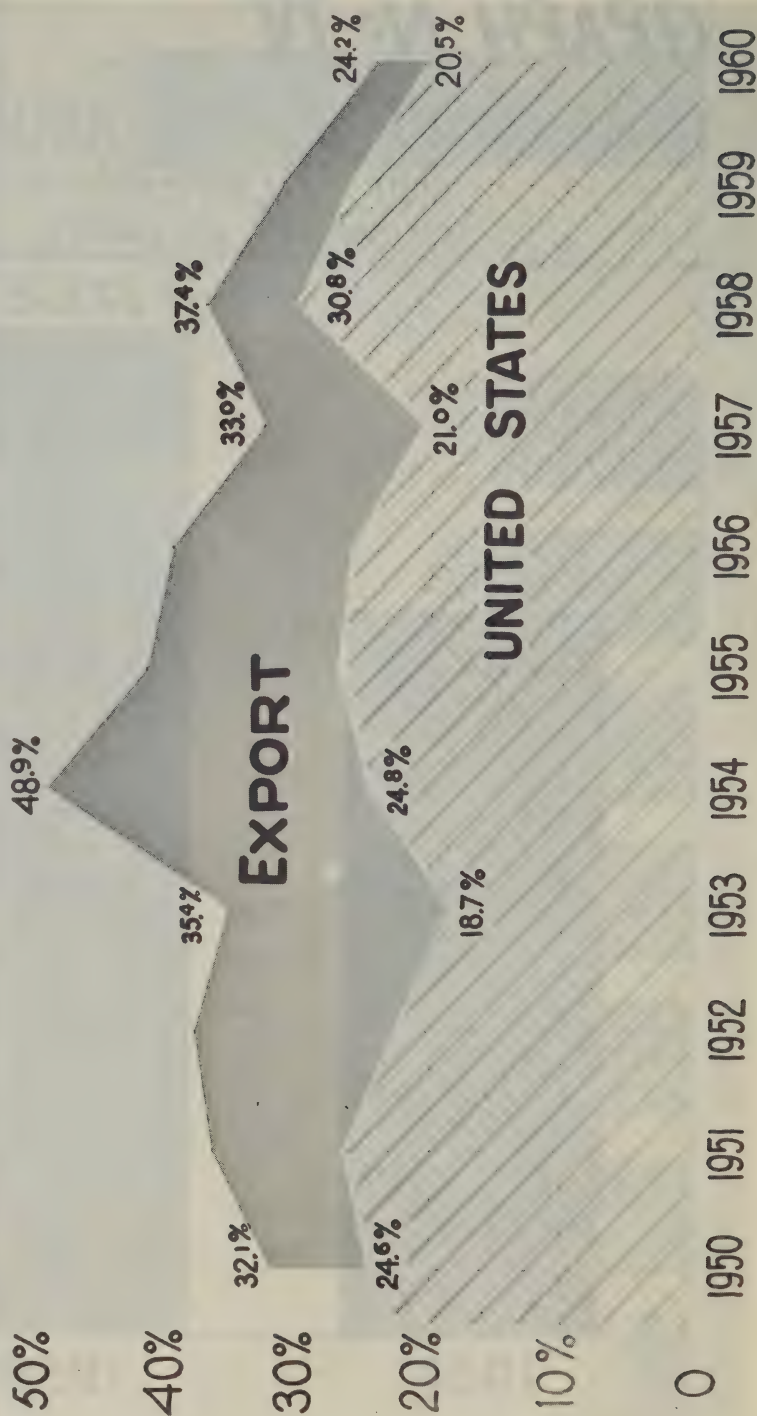


SOURCE : TRADE OF CANADA VOLUME #1

GRAPH No V

APPENDIX "F"

% OF SALES IN UNITED STATES AND EXPORT MARKETS



GRAPH No VI

RELATIONSHIP AMONG AVERAGE HOURLY EARNINGS, AVERAGE STEEL COSTS, FARM MACHINERY PRICES AND FARM INCOME FOR THE YEARS 1950-1959

AVERAGE HOURLY EARNINGS
IRON & STEEL PRODUCTS
(D.B.S.)

1959



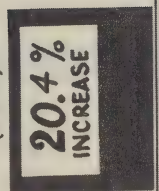
AVERAGE STEEL COSTS
(C.F.E.)



FARM MACHINERY
PRICES
(D.B.S.)



GROSS FARM INCOME
(D.B.S.)



1950

NET FARM INCOME
(D.B.S.)

25% DECREASE

HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE
ON
Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 15

Respecting
BOARD OF GRAIN COMMISSIONERS
(Report 1960)

FRIDAY, JUNE 23, 1961

WITNESSES:

From the Board of Grain Commissioners for Canada: Messrs. G. N. McConnell, Chief Commissioner; A. V. Svoboda, Commissioner; W. J. MacLeod, Secretary; E. E. Baxter, Chief Statistician; P. Fraser, Assistant Chief Grain Inspector; Dr. I. Hlynka, Assistant Chief Chemist.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.
and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Regnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Rompere
Danforth	Korchinski	Slogan
Doucett	Latour	Southam
Drouin	Leduc	Stefanson
Dubois	Mandziuk	Tardif
Dupuis	McIntosh	Thomas
Fane	Michaud	Thompson
Forbes	Milligan	Tucker
Forgie	Montgomery	Villeneuve
Godin	Muir (<i>Lisgar</i>)	Webb—60.
Gundlock	Nasserdén	
	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, June 21, 1961.

Ordered,—That the Annual Report of the Canadian Wheat Board for the Crop Year ended July 31, 1960, which was tabled on March 3, 1961, and the Report of the Board of Grain Commissioners for 1960, which was tabled on April 12, 1961, and the Supplementary Report of the Canadian Wheat Board on the 1959-60 Pool Account for Wheat, Oats and Barley, tabled today, be referred to the Standing Committee on Agriculture and Colonization.

Attest

LÉON-J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

FRIDAY, June 23, 1961.
(33)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Campbell (*Lambton-Kent*), Clancy, Clermont, Danforth, Doucett, Fane, Forbes, Gundlock, Henderson, Horner (*Acadia*), McBain, Mandziuk, Milligan, Montgomery, Muir (*Lisgar*), Nasserden, Pascoe, Peters, Rapp, Stefanson, Thomas, Tucker, Villeneuve, Webb.—(25).

In attendance: From the Board of Grain Commissioners for Canada: Messrs. G. N. McConnell, Chief Commissioner; A. V. Svoboda, Commissioner; W. J. MacLeod, Secretary; E. E. Baxter, Chief Statistician; P. Fraser, Assistant Chief Grain Inspector; Dr. I. Hlynka, Assistant Chief Chemist.

The Chairman introduced Mr. McConnell, who in turn, introduced the officials of the Board.

Mr. MacLeod presented the Report of the Board of Grain Commissioners for Canada for the year 1960.

The Committee questioned the officials on and agreed to the following sections of the Report:

- Grain Supplies and Disposition—Crop Year 1959-60
- Marketings
- Country Shipments
- Terminal Handlings
- Eastern Elevator Handlings
- Exports
- Domestic Usage
- Carryover
- Licensing and Bonding.

At 10.55 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING (34)

The Committee reconvened at 2.55 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Clermont, Danforth, Doucett, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), McBain, Mandziuk, Milligan, Muir (*Lisgar*), Nasserden, Pascoe, Rapp, Rogers, Southam, Stefanson, Thomas, Tucker, Villeneuve.—(22).

In attendance: From the Board of Grain Commissioners for Canada: Messrs. G. N. McConnell, Chief Commissioner; A. V. Svoboda, Commissioner; W. J. MacLeod, Secretary; E. E. Baxter, Chief Statistician, and P. Fraser, Assistant Chief Grain Inspector; Drs. I. Hlynka, Assistant Chief Chemist and H. E. Gray, entomologist.

The questioning of the officials was resumed and the Committee agreed to the following sections of the Report:

- Assistant Commissioners
- Prosecutions
- Shortage and Overages, Country Elevators
- Regulations
- Committees on Grain Standards
- Inspection of Grain
- Research Laboratory
- Weighing of Grain
- Weighover of Stocks, Terminals and Eastern Elevators
- Entomological Investigations
- Terminal and Eastern Complaints
- Complaints on Export Shipments
- Statistics
- Information Program
- Canadian Government Elevators
- Lake Freight Rates
- Prairie Farm Assistance Act
- Organization and Personnel
- Expenditure and Revenue

The Committee concluded the consideration of the said report and approved the following Appendices:

- A. Committee on Western Grain Standards as at December 31, 1960
- B. Grain Appeal Tribunals
- C. Statistics Branch
- D. Inspection Branch
- E. Grain Weighing Branch
- F. The Grain Research Laboratory
- G. Canadian Government Elevators
- H. Expenditure and Revenue
- I. Regulations.

Moved by Mr. Thomas, Seconded by Mr. Henderson,

Agreed,—That the Committee express its appreciation for the appearance of the Board of Grain Commissioners for Canada.

At 4.45 p.m. the Committee adjourned until Monday, June 26 at 9.30 a.m. to consider the Annual Report (1960) and Supplementary Report (1959-60) of the Canadian Wheat Board.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

FRIDAY, June 23, 1961.

The CHAIRMAN: We have a quorum, gentlemen. Will you come to order, please.

I am very pleased, this morning, to welcome the board of grain commissioners for Canada. On my immediate right is Mr. G. N. McConnell, chief commissioner. At this time I am very pleased to call on Mr. McConnell to introduce the other members of his board.

Mr. G. N. McCONNELL (*Chief Commissioner, Board of Grain Commissioners*): Mr. Chairman and gentlemen, before I introduce my colleagues today, I would like to say a brief word. You all know Mr. R. W. Milner and I am sure he is highly respected. On Monday when I was speaking to him he said that he would like to be remembered to all of you.

I would like to introduce Commissioner A. V. Svoboda, Mr. W. J. MacLeod, the secretary of the board; Mr. E. E. Baxter, chief statistician; Mr. P. Fraser, assistant chief grain inspector; and Dr. I. Hlynka, assistant chief chemist for the laboratory.

The CHAIRMAN: Thank you very much, Mr. McConnell.

I might say, gentlemen, that all the wheat pools have been advised that the board of grain commissioners would be with us this morning and the Canadian wheat board next Monday and Tuesday, along with the federation of agriculture and the farmers union. I believe one of the pools is represented this morning at the back of the hall—the northwest line elevators. We are very pleased to have them with us at our meeting.

Mr. McConnell, we will now ask you or your secretary to present your report. After that we will go back and deal with it paragraph by paragraph.

Mr. W. J. MacLEOD (*Secretary, Board of Grain Commissioners*):

Winnipeg, Manitoba,
January 13, 1961.

The Honourable Alvin Hamilton, M.P.,
Minister of Agriculture,
Ottawa, Canada.

Sir:

We beg to submit herewith report of the board of grain commissioners for Canada for the year 1960 in compliance with section 23 of the Canada Grain Act.

This report records information and statistics relating to grain handlings for the crop year August 1, 1959 to July 31, 1960, expenditures and revenue for the fiscal year April 1, 1959 to March 31, 1960, and summarizes the major activities of the board for the 1960 calendar year.

Grain Supplies and Disposition—Crop Year 1959-60

Canada's grain carryover was further reduced during the 1959-60 crop year despite declines in the disappearance through both domestic and export outlets. By July 31, 1960, combined stocks of wheat, oats, barley, rye and flaxseed in all positions totalled 763.5 million bushels, some 47.1 millions or 6 per cent below the storage volume at the preceding year ending and 356.8 millions lighter than the record carryover of 1,120.3 millions on July 31, 1957.

The inward carryover at August 1, 1959, was estimated at 810.6 million bushels held either in licensed storage, or in farmers' bins, or in transit between positions. The 1959 crops of wheat, 413.5 millions, and oats 417.9 millions, were above 1958 production, that of rye steady at 8.1 millions and those of barley 225.6 and flaxseed 17.7 millions, were below the previous year's output. The combined production of 1,082.8 million bushels, added to the inward carryover, established the available supplies at 1,893.4 million bushels for 1959-60 domestic needs and exports.

The 1959-60 commercial disappearance of 1,129.9 millions was made up of 352.4 millions exported in the form of grain or wheat flour and 777.5 millions utilized within Canada for feed, seed, human food and industrial use. Both exports and domestic usage were down from the corresponding volumes for the 1958-59 season although still well above the long-term 30-year averages for these movements.

Within the licensed elevator system the individual sector operations reflected a varied pattern. Country marketings were down in total, although wheat deliveries were heavier than in the previous season. Country elevator shipments held relatively steady but a shift in the distribution pattern was indicated by an increased movement to lakehead terminals and to mills. Carlots to the Pacific Coast fell off as ocean shipping at that sector was cut back; this resulted in lighter shipments from Alberta elevators and a heavier movement from Saskatchewan points. At Fort William-Port Arthur terminals the vessel movement showed a slight increase. The period August 1, 1959 to July 31, 1960 represented the first complete crop year of operations subsequent to the opening of the St. Lawrence Seaway. The development of a direct overseas cargo movement in volume from the Canadian lakehead, the elimination of a substantial portion of the transfer vessel movement at lower lake ports and the impact of these developments on operations at the St. Lawrence river elevators, are immediate results reflected in the handling statistics.

Mr. HORNER (*Acadia*): Mr. Chairman, are we going to ask questions on each paragraph? That is the way it has been done the last couple of years.

The CHAIRMAN: It is up to the committee, whichever way the members wish to handle this. Do you prefer to have it read one paragraph at a time and then ask questions before going on to the next paragraph.

An hon. MEMBER: I think that is a good idea.

Mr. HORNER (*Acadia*): This is the way it has been done in the last few years.

Mr. PASCOE: I think it is a good idea, but I hope we will be at liberty to go back to any question, after we have gone through the whole report in this manner.

The CHAIRMAN: Yes. This way will keep us a little in touch with each paragraph. We will ask questions after each paragraph has been read, and then we will come back and review the whole situation later on.

Mr. HORNER (*Acadia*): My first question on this paragraph is in respect of the St. Lawrence seaway. What percentage of grain now moves by the St. Lawrence seaway from Fort William right out to the ocean, rather than coming up to the Georgian bay ports and then going by rail?

Mr. McCONNELL: You mean directly overseas?

Mr. HORNER (*Acadia*): Yes.

Mr. McCONNELL: Two years ago I think there were fifty-eight boats moving out of the lakehead direct, and last year eighty-nine. This would involve about twenty million bushels being moved direct.

Mr. HORNER (*Acadia*): This is not exactly what I meant. Previous to the seaway a lot of grain moved by rail from the Georgian bay ports up to Montreal and to other ports along the St. Lawrence river. Has this amount diminished? It used to be that pretty nearly one-half the grain moved by rail from the Georgian bay ports.

Mr. McCONNELL: I would say it is much less.

Mr. E. E. BAXTER (*Chief Statistician, Board of Grain Commissioners*): Could we defer that question until we come to page 8 under the heading of Eastern elevator handlings. This matter is covered there. At the moment the pattern seems to be reasonably steady. There seems to be about the same rail movement from the bay ports down to the St. Lawrence and the maritimes over the past two years. This last year it did not continue to decline.

Mr. PASCOE: On page 6 it says:

Carlots to the Pacific coast fell off as ocean shipping at that sector was cut back.

Was that cut back because of lack of markets?

Mr. McCONNELL: The main reason was that the 1957-58 year was the peak year at the coast and there just was not as much grain moved out to the west coast.

Mr. HORNER (*Acadia*): Were there not some steps taken on the part of the railroads because they were afraid they were going to have a lot of box-cars tied up and no loading facilities to unload, because of the threatened strike, and that this stopped shipments to the west coast. We heard complaints about this.

Mr. P. FRASER (*Assistant Chief Grain Inspector, Board of Grain Commissioners*): Mr. Chairman, there was a hold-up in the shipments to the west coast due to the threat of strike action.

Mr. McCONNELL: You think it did affect the overall movement?

Mr. FRASER: Yes.

The CHAIRMAN: Are there any further questions in respect of this paragraph?

Mr. HORNER (*Acadia*): I wonder if you might give us some idea of the estimated amount of grain used on the farms. I am thinking of that used for feeding livestock. You talk about the stocks on hand. How do you arrive at the amount of grain used domestically for livestock feeding and so on? Is this an accurate figure or is it just an educated guess?

Mr. BAXTER: I stand on a certain amount of dignity and professional pride with regard to an educated guess. Mr. Horner's suggestion is quite correct. It is a residual figure. In other words, we have the estimated figures for the total production. We have the estimated figure for the carry-over on the farms at the beginning of the crop year; then we know what has moved through the line elevator system, through the commercial channels and overseas; we know what has remained at the end of the crop year. We have an estimate again of what is on the farms, and the balance which has apparently disappeared is taken as the amount used on the farms without coming into our channels.

Mr. HORNER (*Acadia*): You have no idea, actually, as to how this is used? You have no figures with regard to the amount that is transferred through the feed mill arrangement, or the amount which is fed locally by the farmer himself?

Mr. BAXTER: There are certain checks which are used as statistical checks on this. We compare our figures with the dominion bureau of statistics which is responsible for these figures. Their figures have regard to the livestock and poultry population; in other words, the main feed usage outlets; and if the live-

stock population had decreased and the amount of grain fed on the farm had increased, we would automatically question that figure. As to the second question dealing with the amount of grain going through unlicensed mills, the feed mills, I believe the Canadian wheat board—in fact I know—are required to report on it, at the close of the crop year, when they will have the figures on the quantity so used.

Mr. MUIR (*Lisgar*): I think you will find your question is answered on page nine.

Mr. BAXTER: Yes.

Mr. MACLEOD:

Marketings

The restricting influence of the continued congested storage situation on the primary movement into the licensed system was again indicated in 1959-60 by a further decline in country marketings at western points. Total deliveries during the crop year to all licensed elevators, east and west, amounted to 518.8 million bushels of wheat, oats, barley, rye, and flaxseed combined,—38.0 millions below the previous season's intake. Deliveries to western country elevators totalled 512.0 millions, with primary marketings at interior terminals and mills accounting for 4.6 millions, and loadings over platforms a further .2 millions. Primary deliveries of eastern grown grain direct to licensed eastern elevators at 2.0 millions were the lightest in recent years. Wheat marketings did not reflect the downward trend of the total and at 379.9 millions were slightly above the 1958-59 inward volume. The principal decline in marketings occurred in barley (95.6 millions compared with 121.3 millions the year previous) and in oats for which the 24.6 millions delivered represented the lightest marketings of this grain in over 30 years.

The CHAIRMAN: Are there any questions on marketings?

Mr. BOULANGER: What is the reason for the lower marketing of oats and barley?

Mr. MCCONNELL: I would say the main reason for that particular year was the bad harvest in that year. About half the crop was out under the snow; and I think also with the maximum livestock population there was not as much being moved; and in the matter of the marketing of oats, the quotas did play a part. After all, dollar for dollar, you get more money for delivering wheat than you do for delivering oats.

Mr. BOULANGER: Do you not think that because of the lack of feed grain in the east last fall, that was the reason why the market for feed oats and barley was lower, because in the east last winter they were short of feed grain?

Mr. MCCONNELL: I think that is a question much more properly to be addressed to the wheat board, as to the marketings of oats and barley.

Mr. MILLIGAN: What do you mean by "primary deliveries of eastern grown grain direct to licensed eastern elevators"?

Mr. MCCONNELL: We provide space in the eastern elevators so that you can market your wheat; it comes in earlier from the east than it does from the west.

Mr. MILLIGAN: That is for eastern grown grain?

Mr. MCCONNELL: Yes.

Mr. PASCOE: What do you mean by primary marketings at interior terminals?

Mr. McCONNELL: That is the original movement of the grain to the primary point. The primary means the first inspection, the primary part of it.

Mr. PASCOE: Thank you.

Mr. McCONNELL: We operate six government elevators at the following points, Prince Rupert, Lethbridge, Edmonton, Calgary, Saskatoon, and Moose Jaw.

The CHAIRMAN: Are there any further questions? If not, let us proceed to "country shipments".

Mr. MACLEOD:

Country Shipments

The volume of grain moving forward from country elevators was relatively steady during 1959-60, at 525.2 millions in total. The carlot movement had registered a sharp decline in 1958-59 but this was not repeated and wheat shipments were 17.0 millions heavier at 367.0 millions and close to the 1957-58 level. The distribution pattern of this rail movement showed a reduced percentage (25.2%) billed for west coast destinations, reflecting a reversal of the trend of recent years during which the carlot movement to Pacific Coast terminals had risen progressively from 21.0% of total country shipments in 1955-56 to 28.1% in 1958-59.

Mr. MUIR (*Lisgar*): What is the total shipment out of your Pacific terminals for that year?

Mr. BAXTER: I can get the figure for you, sir.

Mr. HORNER (*Acadia*): I think you will find that it is in the next paragraph at 95.1 million.

The CHAIRMAN: Are there any further questions on "country shipments"? If not, let us pass on to "terminal handlings".

Mr. MACLEOD:

Terminal Handlings

Receipts and shipments at the Fort William-Port Arthur terminal group were slightly heavier during 1959-60 at 299.7 millions unloaded and 295.4 millions shipped. The lake portion (286.7 millions) of the latter figure was 8.5 millions higher than the previous year's vessel movement as a result of increases in both direct overseas shipping (16.8 millions compared with 11.9 millions) and cargoes billed to United States lake ports (19.4 millions against 15.9 millions in 1958-59).

Pacific coast terminals reported a reduced handling volume for the second consecutive year. Wheat shipments were down 11.4 millions at 95.1 millions, and barley loadings dropped 5.0 millions to 31.9 millions. Clearances of oats at 2.7 millions, rye at .3 millions and flaxseed at 6.8 millions, completed the 136.8 millions of ocean shipping through this sector—17.3 millions less than the 1958-59 outbound traffic and 32.8 millions below the peak movement recorded in 1957-58.

The Port of Churchill handled 21.7 million bushels of wheat and .1 millions of oats during the 1959-60 crop season to establish a new record for shipping through the North-east passage. The 1960 season of navigation, the initial portion of which is included in the above crop year figures, saw a slight falling off in Churchill loadings. Forty-eight vessels carried a total wheat cargo of 19.6 millions, compared with the 58 vessels and 21.8 millions in 1959.

The damp harvest of 1959 resulted in substantial grain-drying operations at all terminal positions. A total of 76.6 million bushels of wheat, oats, barley, rye and flaxseed combined were dried during the crop year—53.3 millions by artificial and 23.3 millions by natural means. The largest portion of this operation, 45.7 millions, was accomplished at the Fort William-Port Arthur terminals; Pacific Coast terminals dried 27.9 millions; interior terminals dried 2.7 millions, and a further .2 millions were dried at Churchill. This volume is, of course, short of the 168.8 millions dried in 1951-52 following the very difficult harvest of the 1951 crop, when Canadian facilities were supplemented by driers at Duluth, Buffalo and certain Eastern Canadian points.

Mr. HORNER (*Acadia*): Would it be fair to say since you suggested that the railways feared a tie-up on the west coast that this possibly had some effect on the shipments to the west coast? Would you agree that this probably was the reason why Alberta deliveries fell off last year to some extent?

Mr. McCONNELL: Were the quotas lower for Alberta last year?

Mr. HORNER (*Acadia*): They were, from the previous year, yes. But you mentioned earlier that Alberta deliveries were down.

Mr. McCONNELL: Again I think that the wheat board comes into the picture, because the pricing varies whether it is east coast or west coast; that certainly has a bearing on where the grain is going to move. I would not like to go out on a limb for that. I think again I would ask the wheat board, because they have more to do with the direction of grain than we have.

Mr. HORNER (*Acadia*): I have another question on a slightly different point. Am I right in saying that it is against the rules or the laws for there to be terminal mixing?

Mr. McCONNELL: In the statutory grades, yes, the top four grades of wheat.

Mr. HORNER (*Acadia*): In other words, they can be mixed at either the lakehead or the elevator points?

Mr. McCONNELL: We have no control over the country elevator points.

Mr. HORNER (*Acadia*): But they cannot be mixed. This concerned me, because sometimes Canada finds itself in a position where it does not have the required grades to meet the market. Do you think that if the companies were allowed to mix them at the terminals, that this would facilitate marketing more easily?

Mr. McCONNELL: There was a hearing some years back, Mr. Horner, and a decision was made at that time that mixing at the terminal level was not good for the farmer.

Mr. HORNER (*Acadia*): How many years back was this?

Mr. McCONNELL: That is about 29 or 30 years ago, I would say.

Mr. HORNER (*Acadia*): But the point is that marketing conditions have changed drastically since that time, and countries all over the world are soliciting particular grades of wheat. I remember a few years ago the wheat board informed this committee that they had lost sales because they did not have the grades of wheat that were requested. This is a point I am bringing up. If they were allowed to mix at terminals, and this grain was inspected by the board of grain commissioners to make sure that the standards were maintained, I think this would be beneficial. I would not want to see the standards lowered, but surely the board of grain commissioners would govern mixing at the terminals in the same way as a country elevator man governs it at his own elevator. Would this not facilitate marketing to some extent?

Mr. McCONNELL: My opinion would be that the demand for the lower grades during the last few years was a matter of price as much as of quality.

Mr. HORNER (*Acadia*): In that same regard, the price has been very narrow.

Mr. McCONNELL: Another thing is that during the last four years we have had four very high quality crops. I think the four of them tested around 14 per cent protein and, as a matter of fact, the lower grades were equal, or almost equal to the top grades and, for a lower price, they were getting almost the same quality. I think it would be a retrograde step for the farmer to start mixing again.

Mr. HORNER (*Acadia*): Do you not feel the board could control it?

Mr. McCONNELL: Well, I have a better man to speak in this connection than myself. Would you speak to that, Mr. Fraser?

Mr. FRASER: The prohibition of mixing in the top milling grades, including garnets in the first two grades, is the best control we have to assure that export standard will be observed in the movement of grain. We have, at the level of No. 3 Northern, the introduction of varieties that are not equal to Marquis, and while a 10 per cent tolerance is allowed in No. 3 Northern at the domestic level, we do not export, by any means, to this level.

Over the years we have maintained a constant level of about 4 per cent in our export movements. I am quite sure if we did this that we did this that we would hear very quickly from our customers overseas.

Mr. HORNER (*Acadia*): You do not feel the quality and standard could be maintained if they were allowed to mix?

Mr. FRASER: It would depend on an increase in varieties that are not equal to Marquis.

Mr. MANDZIUK: Mr. Chairman, I would like to know what governs loadings at Churchill. I notice in paragraph 3 that handlings were decreased from 1959 from 21 millions to 19 millions.

Mr. McCONNELL: Again, this is a matter for the wheat board. They sell that grain from the 25th of July to about the 10th of October. It all has to move through that period of time, which is about 70 to 75 days. It practically all goes to the British market, and that is about all the wheat they can sell in that particular time. However, you can bring it to the attention of the wheat board later.

Mr. HORNER (*Acadia*): They are enlarging facilities at Churchill, are they not?

Mr. McCONNELL: No, just the dock.

Mr. MANDZIUK: What is the capacity of that terminal at Churchill?

Mr. McCONNELL: 5½ million.

Mr. RAPP: Mr. Chairman, I would like to know whether any additional grain-drying equipment is being installed now. I can recall during the 1959-60 crop year, the northern sections of the three prairie provinces were actually handicapped because we had tough and damp grain and we were given to understand the elevators could not take it in because there was not enough grain-drying equipment at the terminals. I do not think there will be any damage this year. However, it could happen again, and I would like to see more grain-drying equipment installed at the terminals.

Mr. McCONNELL: I think practically all the terminals have either one dryer or more. You must realize that these dryers cost anywhere from \$125,000 to \$150,000. There is only one year in approximately four or five, and sometimes seven, eight or ten, that they are used. As I say, it is an expensive piece of equipment.

Mr. RAPP: But the farmers have lost much more than \$125,000. There was so much tough and damp grain that no elevator space was available at the

delivery point, and the farmer definitely was not able to store that damp grain. I would like to see that, although it costs money. However, nevertheless there should be grain-drying equipment installed there in order to handle this grain in times of emergency.

Mr. McCONNELL: I think that we were able to handle and dry all the tough and damp grain that was delivered under the quota. Anyway, how would you deliver it within the quota?

Mr. RAPP: I think there were special quotas allowed in respect to the tough and damp grain. However, it was difficult to obtain cars to deliver it to the terminals because there was not enough room to store that grain there, and the drying equipment could not keep up with all the grain that was being shipped into these terminals.

Mr. McCONNELL: As I recall it, I think the drying capacity and the space in the elevator was always pretty well taken up. In other words, they could only dry so much grain because they could only store so much dry grain.

Mr. RAPP: I know that the equipment is expensive, but I think consideration should be given and, if there is a possibility to have this grain-drying equipment installed, in case of an emergency, the farmers would not be put in the position which they were in 1959-60. I know, from experience, because in the northern parts of Saskatchewan, particularly, there were many, many places where the elevators could not take their grain in because there was not enough room, and the drying equipment in the terminals could not handle the grain.

Mr. McCONNELL: It would be the opinion of our board, sir, that we encourage the terminals to put in the drying equipment, rather than the farmers.

It was a very bad harvest and fall in 1959, and I think we were supervising, were we not, Mr. Hlynka, between 200 and 300 equipment dryers, and we received wonderful co-operation from the farmers. Of all that grain dried—53 million dried by equipment and 56 million naturally dried; I think those are the figures—there was only one cargo got away from us, and it was a small parcel of 36,000 bushels—and we had to reduce the grade from three to four. I think that speaks very well for the terminals in handling the over-all situation and taking into consideration the difficult crop of that year.

The CHAIRMAN: Have you a question, Mr. Muir?

Mr. MUIR (*Lisgar*): I had a question on the capacity at Churchill, but it has been answered.

I would like to make one observation on this section. I hope there will be no change in the law regarding terminal mixing, because that was put in for the farmers. I hope it stays there.

Mr. PASCOE: I have a supplementary to Mr. Rapp's question. It said 2.7 million. Is that the capacity?

Mr. McCONNELL: You are speaking of the government elevators?

Mr. PASCOE: Yes; in the interior. Is it the capacity?

Mr. McCONNELL: Well, we handle quite a bit of rapeseed. We certainly never turned any away. I am not sure if it is the capacity. I remember Mr. Jacobson speaking to Mr. Milner about the fact that the farmers wanted to bring in damp grain by truckload. That is a slow operation, because you need a batch of one thousand bushels to dry; but we agreed in the interior we would take it and dry it for the farmers, and let them take it back.

Mr. HORNER (*Acadia*): What do you mean by drying by natural means?

Mr. McCONNELL: Promotions of toughs. The toughs can be promoted to the proper grade.

Mr. HORNER (*Acadia*): But you say here 53.3 millions by artificial and 23.3 millions by natural means. What constitutes natural means?

Mr. FRASER: 53.3 millions artificially dried means that drying machines were used and the 23.3 millions dried by natural means is the blending of tough grain with straight grain. Speaking of wheat, 14.5 per cent is the limit of moisture.

Mr. HORNER (*Acadia*): I am aware of that.

Mr. FRASER: 23.3 millions was naturally dried by means of blending.

Mr. HORNER (*Acadia*): Who would get the advantage of the drying by natural means? On the tough wheat you are docked four per cent.

Mr. McCONNELL: I would say the terminal got the advantage.

Mr. BAXTER: The procedure there is that the terminal must negotiate with the wheat board in the buying and selling proposition. They must buy the damp and they must adjust with the wheat board. In the final analysis they get an arbitrary allowance established by the wheat board which represents roughly their cost of the drying, less the shrinkage. There is the loss of moisture; they do not end up with the nine cents spread.

Mr. HORNER (*Acadia*): I do not envision that you dry by natural means any damp wheat. In other words the terminal gets paid.

Mr. BAXTER: Both get a little.

Mr. HORNER (*Acadia*): But there is a terminal mixing within grades.

Mr. BAXTER: Within the tough and straight of that grade. It cannot be tough 3 and straight 2.

The CHAIRMAN: We will proceed to the paragraph headed eastern elevator handlings.

Mr. MACLEOD:

Eastern Elevator Handlings

Export shipments through the Eastern elevator section of the Canadian system continued to decline insofar as Canadian grain was concerned. Total clearances for the 1959-60 season amounted to 118.6 millions, made up of 93.6 millions through St. Lawrence river ports and 25.0 millions through the Maritime ports of Saint John and Halifax. The river port loadings were 14.5 millions below 1958-59 levels, while the Maritime sector dropped behind by 6.1 millions. The declines were fairly proportioned between ports. The volume of Canadian grain moved through all eastern elevators to supply Eastern Canadian domestic needs and for milling for export held relatively steady at 118.5 millions.

The impact of the seaway on the eastern handling pattern was reflected directly in the sharp reduction in the transfer movement (principally at lower lake ports) which dropped from 151.4 millions in 1958-59 to 97.6 millions in 1959-60, as 73.7 millions of grain moved direct from the Canadian lakehead to the St. Lawrence river ports in contrast to only 28.5 millions in the previous year. The handling of U.S. grain for reloading to ocean vessels, chiefly through Montreal, totalled 20.9 million bushels during the crop year. The eastern elevators also moved 10 millions of U.S. grain to Canadian domestic channels and transfer shipped a further 1.2 millions back to Eastern U.S. points.

The winter movement through Halifax and Saint John did not appear to be adversely affected by the seaway. The decline of 6.1 millions was roughly proportional to the falling off in exports of Canadian grain from the St. Lawrence ports. The trial movement of grain from the head of the lakes to maritime ports by the all-water route was further expanded from .4 millions in 1958-59 to 3.8 millions in 1959-60. The bulk of this grain was for domestic use, although a portion was unloaded at Halifax for storage for subsequent export.

Mr. HORNER (*Acadia*): In the middle of the paragraph you say:

The Eastern elevators also moved ten millions of U.S. grain to Canadian domestic channels.

What do you mean by U.S. grain; what particular grains are you referring to?

Mr. McCONNELL: I would say that ninety per cent of it is corn.

Mr. BAXTER: The balance would be soybeans.

Mr. HORNER (*Acadia*): It appears evident that with the St. Lawrence seaway there is less and less grain moved over the railroad from the Georgian bay ports. Do you expect this to continue to drop, or has it been levelling out?

Mr. BAXTER: It has levelled out. In 1958-59, during the first ten months there was 40.8 millions moved in this way; in 1959-60 there was 48 million; in 1960-61, the current crop year, there was 39 million, which is back to the 1958-59 level. It is reasonably steady. To a certain extent it is governed by the flow of boats in and out of the river ports at the outset and closing of the season. It is a question of whether the lake vessels can move it down fast enough.

Mr. HORNER (*Acadia*): Can you inform the committee whether or not the freight rate increase that the railways wanted to put on this grain movement was granted.

Mr. McCONNELL: It was delayed.

Mr. HORNER (*Acadia*): Has it been granted now?

Mr. McCONNELL: Not to my knowledge.

Mr. BAXTER: Not for the current season.

The CHAIRMAN: We will proceed to the paragraph "exports".

Mr. MACLEOD:

Exports

Canada exported 234.7 million bushels of wheat, 37.4 millions of wheat flour (wheat equivalent), 5.6 million bushels of oats, 57.7 millions of barley, 4.5 millions of rye, and 12.5 million bushels of flaxseed during the 1959-60 crop season. Exports of the five principal grains, together with the grain equivalents of wheat flour, totalled 352.4 million bushels, some 26 million bushels below last year's clearances but still well above the 30-year average for Canadian grain exports calculated at 314.5 millions. Compared with 1958-59 clearances, declines were registered in wheat (17.5 millions), oats (1.4 millions), barley (6.7 millions) and flaxseed (1.8 millions), while export shipments of wheat flour and rye were heavier by .3 millions and 1.3 millions, respectively. On the basis of international grain movement estimates compiled by the cereal section of the food and agriculture organization in Rome, Canada's exports represented 22.4 per cent of the world trade in bread grains, and 18 per cent of the trade in oats, barley and flaxseed.

Mr. RAPP: You gave the figures for the five principal grains. Have you any figures in respect of the export of rapeseed? This is very important, because we like to know the percentage of rapeseed that has been grown which is exported.

Mr. BAXTER: In 1959-60 the volume of rapeseed exports was 2.9 millions.

Mr. RAPP: What is the percentage in relation to the total crop?

Mr. BAXTER: I would estimate it would be close to the bulk of it; almost the entire crop.

Mr. RAPP: This is very valuable information to have on the record. Practically 95 per cent of this grain is exported.

Mr. McCONNELL: I would say that is correct.

Mr. HORNER (*Acadia*): I understand that this is for the 1969-60 crop year. How are wheat exports holding up for the present year, 1960-61? Do you have any figures on that.

Mr. BAXTER: To June 14, overseas clearances of wheat were 265 million compared to 208.7 million at the corresponding date a year ago. In addition to that 2.4 million have been imported by the United States in comparison to 1.9. The overseas clearances of oats were 1.1 as compared to 4.3; this is a reduction. To date, barley is 21.6 for overseas as compared to 40.7 in the corresponding period last year. With barley, there is a further 9.8 which has been imported by the United States as compared to 12.6 during the corresponding period a year ago. The rye exports overseas to date are .9 millions which is roughly double the volume a year ago. The U.S. figure for imports is 1.1 to date compared to 2.3. Imports into United States of rye from Canada normally occur in bulk right after the close of the U.S. crop year which is at the end of this month. Flaxseed exports were 10.4 million bushels in 1960 and 12.5 million bushels in 1961.

Mr. RAPP: How many pounds of rapeseed are in a bushel, for commercial purposes. I know the commercial market has adopted the fifty pound bushel, but I believe officially there are sixty pounds per bushel.

Mr. BAXTER: For statistical purposes we use fifty pounds.

Mr. FORBES: Does the total figure in respect of exports include gifts under the Colombo plan.

Mr. McCONNELL: That is the total export. I think 267 million bushels is the figure.

Mr. BAXTER: 272 million bushels for the crop year.

Mr. FORBES: Does that include seed exported to the United States?

Mr. BAXTER: In addition to that figure there was a total of 5.6 million bushels of seed wheat exported. The major portion—4.4 million bushels—was to the United States. In addition to that there was 1.1 million exported to Arabia. That is bagged seed wheat.

Mr. HORNER (*Acadia*): Recently I believe there were imports of wheat into Canada. Does the board of grain commissioners have anything to do with that. I believe there were imports in the order of something like ten million bushels into the interior of British Columbia on a trade deal.

Mr. McCONNELL: I never heard of it.

Mr. HORNER (*Acadia*): I think it was in connection with a barter deal involving iron ore.

Mr. BAXTER: That would be in respect of consolidated mining and smelting. I have no knowledge of that.

The CHAIRMAN: Are there any further questions on exports?

Mr. McCONNELL: I do think the question Mr. Forbes raised is useful. I have tried to keep in my head that three years ago there were 315 million bushels of wheat and flour and two years ago 292 million bushels of wheat and flour; and this particular year 267 million, until June 16 of wheat alone. It would appear this year we should go up 340 or 350 million bushels.

Mr. FORBES: Possibly over the three hundred million bushels.

Mr. McCONNELL: Yes; maybe 340 million.

Mr. MACLEOD:

Domestic Usage

Canada's farms and industrial plants absorbed a total of 777.5 million bushels of wheat, oats, barley, rye and flaxseed, for feed, seed and manufacturing purposes in 1959-60. This represented a slight decline from the previous year's consumption and a temporary halt in the progressive expansion which has been the pattern since 1954-55. The bulk of this disappearance was direct from farm stocks, either on the farm on which the grain was produced or through a farmer-to-farmer sale. The industrial portion, that is the total quantities used for milling for human use, for malting and distilling, and for oil crushing, held steady at approximately 75 millions for the crop year. The domestic consumption totals for the individual grains, all purposes combined, have been estimated as follows, with 1958-59 comparative totals in brackets: Wheat 152.8 (173.4), oats 438.5 (429.8), barley 174.5 (170.4), rye 4.8 (6.9), and flaxseed 6.9 (7.6), all millions of bushels.

The CHAIRMAN: Are there any questions?

Mr. HORNER (*Acadia*): My question on usage might have been asked a little too early, but I think I got my answer then, unless Mr. Baxter has something he would like to add to what he said.

Mr. MCCONNELL: I would say that the significant thing in the last four crops is that we have been producing about one billion bushels of grain, of which around 400 million have been wheat. We have not added greatly to our carry-over of surplus wheat in these last four years. You will realize that if we used as much as 150 million bushels for domestic, and if we sell around 300 million bushels for wheat and flour, we are pretty well disposing of our current production.

Mr. HENDERSON: The picture has changed in western Canada. Today every farm has a feed lot for feeding cattle. But that was not the case years ago. For example, in the Peace River country there are large numbers of cattle being fed.

Mr. FANE: Please do not forget Alberta. You have heard of that province?

Mr. HENDERSON: Oh, that is just a suburb to the Peace River.

The CHAIRMAN: Let us proceed with "carry-over".

Mr. BOULANGER: What is the proportion of grain going to the east as compared to grain going to the west? What is the proportion going to the eastern part of Canada?

Mr. MCCONNELL: I would say that 10 to 15 years ago, practically all the grain from western Canada went through the lakehead, and from there on to the Atlantic; but in the last 10 to 15 years, the west coast has been taking almost as much as the St. Lawrence river, in addition to the 21 million bushels going out of Churchill. But we always feel that it is a satisfactory year if we can handle 300 million bushels going east through the lakehead to eastern and Atlantic customers and feeding stations.

Mr. BOULANGER: I am talking about feed grain.

The CHAIRMAN: I think Mr. Boulanger's question was: what amount of grain was going for domestic use, and what amount of grain was going east.

Mr. MCCONNELL: Do you have the figures, Mr. Baxter?

Mr. BAXTER: Dealing with wheat we have a total domestic usage of approximately 150 million bushels, or between 150 million and 160 million; and approximately 63 million of it is used on western farms.

Mr. FORBES: I think the answer would be found if you took the number of bushels which were receiving government subsidy for freight to eastern Canada and deducted it from the total; I think that would give you the amount going into feed.

Mr. BAXTER: I do not have that figure, because we do not table it; but I can obtain it for you for the record later on.

Mr. BOULANGER: We purchase 100 million bushels of grain for feed purposes in the east.

Mr. BAXTER: The figure is 83,506,490 bushels.

Mr. HORNER (*Acadia*): I think it would be closer to 200 million, just taking a rough figure, because if there is a \$6 per ton subsidy, and if it comes to 21 million bushels for eastern Canada, this would figure out, if it were all wheat, to 200 million bushels.

The CHAIRMAN: Perhaps Mr. Baxter will have the figures for us this afternoon.

Mr. MILLIGAN: Do you have the amount of grain shipped to eastern Canada for feed purposes? I do not mean the grain that is going into elevators for export, but rather the grain which is going for domestic consumption in eastern Canada.

Mr. PETERS: Would it not be the difference between 150 million and 160 million used in the west?

The CHAIRMAN: I think Mr. Baxter will have the figure for us this afternoon.

Mr. FANE: That is, the figures on domestic usage?

The CHAIRMAN: Yes.

Mr. FANE: I would like to ask if there is any record of the amount of grain that was bought by the feed mills in that year. I mean the year 1959-60 that we are talking about.

Mr. McCONNELL: Could you answer that Mr. Baxter? Have you any record of the amount of grain bought by feed mills in the year we are discussing?

Mr. BAXTER: No, I have no record of that.

Mr. FANE: Have you no record even of what went to the mills under contract with the Canadian wheat board?

Mr. BAXTER: Yes, I would have that figure; I can get it for you.

Mr. FANE: But as to the other you could not estimate what went into local consumption, or was boot-legged?

Mr. BAXTER: No, as I mentioned before, I know the wheat board is compiling a figure on that, as to what is now represented by non-quota handlings of these unlicensed mills.

Mr. FANE: Can you tell us the amount that the licensed mills bought?

Mr. McCONNELL: We only have four licensed feed mills. Do you have the figure, Mr. Baxter?

Mr. BAXTER: I can get that figure very shortly.

The CHAIRMAN: Let us proceed in the meantime with "carry-over".

Mr. MACLEOD:

Carryover

Notwithstanding the declines in both exports and domestic usage, the combined disappearance total of 1,129.9 millions still exceeded new production by 47.1 millions and reduced the annual carryover, all grains, by this amount. This represented the third consecutive reduction in Canada's year-end grain holdings following the record carryover of July 31, 1957 (1,120.3 millions). The 763.5 millions indicated by elevator

returns and estimates of farm-held stocks as either in store in licensed elevators or farmers' bins or in transit between positions on July 31, 1960, reflected reductions in the carryover of all grains shown by the following comparative figures, with 1959 totals in brackets: wheat 537.6 (549.0), oats 92.8 (119.0), barley 121.5 (128.2), rye 6.8 (7.9), and flaxseed 4.9 (6.5), all millions of bushels. The total quantity held in licensed storage positions remained steady at 539.3 millions with the heavier year-end stocks of wheat offset by reduced visible holdings of oats and barley. The lighter carryover again was largely attributable to smaller farm stocks of wheat (81.7 millions compared with 130.0 millions on July 31, 1959).

Mr. HORNER (*Acadia*): Is this the amount which is estimated to be on the farms, this 81.7 millions?

Mr. McCONNELL: That is right. Those were wheat board figures confirmed by the dominion bureau of statistics.

Mr. BAXTER: I am sorry to contradict, but they were dominion bureau of statistic figures which were confirmed by the wheat board.

Mr. HORNER (*Acadia*): On July 1, 1959, there was only 81.7 million bushels?

Mr. McCONNELL: That is right.

Mr. HORNER (*Acadia*): So there is a very good possibility that this year it will be lower yet, having regard to increased exports?

Mr. McCONNELL: Do you have an answer to the last question showing how much was on the farms?

Mr. BAXTER: 259 million.

Mr. McCONNELL: There is quite a bit to come out yet.

The CHAIRMAN: Let us turn now to "licensing and bonding".

Mr. BAXTER: Let me say first of all that the usage of oats and barley by interior licensed mills, according to the marketing figures for 1959-60, was 5.4 million for oats and 9.2 million for barley. That was moved by licensed interior and private mill elevators.

Mr. FANE: What about wheat?

Mr. BAXTER: Wheat was 47.2 million; but this figure includes actually milling flour both for domestic sales as well as for export purposes.

Mr. FANE: What about the feed mills?

Mr. BAXTER: My figures do not distinguish them in that respect.

Mr. FANE: I only meant the mills that were licensed.

Mr. BAXTER: Our figures cover both.

Mr. McCONNELL: Would the wheat board have these figures?

Mr. BAXTER: I believe so.

Mr. McCONNELL: As I recall it, are not all these feeding stations now required to report their operations to the board, upon request?

Mr. BAXTER: Yes, they are.

Mr. McCONNELL: So some time next year they should have a complete picture of all the grain delivered to the feed stations.

Mr. MUIR (*Lisgar*): Would it not be better, Mr. Chairman, for us to hear the wheat board before we hear the board of grain commissioners? I say that because we are asking a lot of questions which I am sure should be asked of the wheat board. I think we would get through our program a lot quicker if we heard the wheat board first.

The CHAIRMAN: Let me explain why this happened this way this year; in previous years the wheat board always came before the board of grain commissioners, and many of the questions which are probably being asked of the

board of grain commissioners, were asked of and explained by the wheat board. But this year the supplementary report of the wheat board was only tabled on Wednesday; and due to the shortness of time, and the probable number of days left, we thought it advisable to have the board of grain commissioners here today and the wheat board next week, because the report of the board of grain commissioners had already been tabled some time ago. That is the reason we reversed the procedure this year.

Mr. MUIR (*Lisgar*): Well, if we get answers from the board of grain commissioners, we will not need to ask the same questions of the wheat board, so it will amount to the same thing in the end.

Mr. BAXTER: Now, as to the question on the movement of Canadian western grain through eastern elevators, for eastern domestic use—

Mr. MANDZIUK: I mean for feed purposes; because by domestic, we might take it to mean flour. The question is related to the use of feed on farms.

Mr. BAXTER: That is right. The breakdown we have is from the eastern elevators, and it is fairly distinct in that regard; we have the breakdown to industrial plants, and to flour mill production. The figures I give will be what I estimate to be the grain going to domestic feeders and feed plants. The figure for oats is 29.3 million; and for barley 28.5 million.

Mr. BOULANGER: What is the figure for wheat?

Mr. BAXTER: For wheat the figure is 20.2 million.

The CHAIRMAN: Are there any further questions before we proceed to the next paragraph? If not, let us now go to "licensing and bonding".

Mr. MACLEOD:

Licensing and Bonding

The total licensed storage capacity at July 31, 1960, was 639,054,610 bushels—631,884,110 bushels in elevators and 7,170,500 bushels in grain storage buildings authorized as supplementary annexes to country elevators. Licences were in effect for 5,413 country, terminal, mill and eastern elevators, a decrease in capacity of 2,891,640 bushels and in licences of 15 compared with corresponding figures as at July 31, 1959. Country elevator capacity was reduced by 16.2 million bushels while terminal and eastern elevator facilities were augmented by 17.4 million bushels of new space including the construction of a complete new elevator at Baie Comeau.

Mr. PASCOE: Mr. Chairman, in connection with this paragraph, I am surprised to see that there is a decrease in the capacity. What is the reason for that 2,891,640 bushel decrease.

Mr. McCONNELL: Will you answer that question, Mr. Baxter?

Mr. BAXTER: Mr. Chairman, during the 1959-60 season, more particularly from January forward, the Canadian wheat board country operations department and our own organization conducted a joint survey of all the country facilities in western Canada. It was handled through the companies. The individual country elevator agents were, I suppose, collaborating on this, and they agreed as to their capacities. As a result of this, there was a substantial reassessment of country elevator capacities at that time, which is reflected in this return. It was in conjunction with the wheat board order No. 1000.

Mr. PASCOE: There was a decrease of 15 licences. Were the licences cancelled?

Mr. BAXTER: They would be country elevators which were dismantled.

Mr. McCONNELL: Some of them were turned into annexes. Would you not agree that the 16 million reduction is largely a book figure?

Mr. BAXTER: Definitely. As far back as 1942 there was a certain amount of jockeying with the record figure of the country elevator capacities, and it was difficult to assess the exact physical capacity. I think we have it now.

Mr. PASCOE: You mentioned here authorization as supplementary annexes. Did the board authorized those?

Mr. McCONNELL: Yes. There were 14 million bushels in rinks and hangars, and buildings of that nature, in 1956. A year ago, the figure was 7 million, and the present wheat board's intention is that it will all be moved out this year.

Mr. PASCOE: In connection with that I notice that quite a few of the old roundhouses are being used, now, for storage. Are you keeping close check on them?

Mr. McCONNELL: Yes. They are all licensed under our board.

Mr. PASCOE: Do they have to empty them when they are called for?

Mr. McCONNELL: Yes. They have to be on a railway line, and our assistant commissioner inspects the facilities. After all, we do not need to be too much concerned, because the grain itself is the consideration of the company. But then, they have to have permission from the wheat board to move the grain in.

Mr. PASCOE: I saw one report where they are filling one roundhouse, and hope to store the wheat there for five years.

Mr. McCONNELL: That has nothing to do with us; that would be an agreement they make with the wheat board.

Mr. HORNER (*Acadia*): Could you give the committee some idea as to how many roundhouses are being used for the storage of wheat?

Mr. McCONNELL: I would guess that there are ten or twelve, right now.

Mr. BAXTER: I believe the figure is nine.

Mr. HORNER (*Acadia*): The reason I ask this question is because I have good reason to believe that the C.N.R. is renting them reasonably. In fact, they are losing money by renting them as cheaply as they are, to the elevator company.

Mr. McCONNELL: Yes. I will say this: They clean up the floor and the pits where they service the engines. They fill these in, and put a false floor down. Also, they build another retaining wall three or four feet away from the outside wall. Therefore, it should be good storage.

Mr. MANDZIUK: What is the capacity of these?

Mr. McCONNELL: The one in Winnipeg holds 1 million bushels. However, normally, it is 40,000 to 80,000 bushels.

Mr. FORBES: Are the collections under P.F.A.A., the responsibility of the board of grain commissioners?

Mr. McCONNELL: Yes. Under the P.F.A.A. we collect it and turn it over to the treasury.

Mr. FORBES: You can recognize the large sales in connection with the export of seed grain, and as you know, there is quite a large order. However, the seed grower is obliged to pay field inspection, the cost of seed treatment, sacks, and all these things which amount to almost one-third of the price he receives. It seems to me there is discrimination there, and I think you should give consideration in respect to the setting of a price. I think the payment should be deducted on the basis of net price, rather than on the total price the seed grower receives.

Mr. McCONNELL: We discussed this as far back as three or four years ago. The first was Mr. Taggart, and then Dr. Barry. Would you explain the position we are in now, Mr. Baxter, with P.F.A.A.?

Mr. BAXTER: The requirement under P.F.A.A. is that it must be 1 per cent of the final purchase price; in other words, the net, passing through a licensed facility.

Mr. FORBES: Then the net price would not include the seed treatment, and son on?

Mr. BAXTER: There is an agreed allowance of a 5 cent to 10 cent deduction for the sack. However, beyond that, it was the thought of the department that the process of not only growing the seed, selecting it, handling and cleaning it, is comparable to that of a careful and efficient farmer giving the additional preparation to his land and being careful with his harvesting operation in attempting to grow top grade wheat. They feel there is that parallel there, and that is what they have, in turn, instructed us to do—that on all transactions of seed that pass through licensed facilities, the levy shall be based on the final purchase price, and that this allowance of 10 cents per bushel will be the only deduction.

Mr. MUIR (*Lisgar*): In the case of a seed grower who sells his grain to a seed house, he does not pay more than 1 per cent of what he receives from the seed house.

Mr. McCONNELL: He does not pay any if it is not licensed. We only collect through licensed facilities.

Mr. MUIR (*Lisgar*): But this is a licensed one.

Mr. McCONNELL: It is not licensed under the board of grain commissioners.

Mr. MUIR (*Lisgar*): Do you mean that all these cleaners are not licensed under you?

Mr. McCONNELL: No.

Mr. MUIR (*Lisgar*): Then, the farmer, in that case—

Mr. McCONNELL: Gets home free.

Mr. MUIR (*Lisgar*): Well, that is good news.

Mr. FORBES: In our part of the country, in regard to these businesses—Red River, and so on—all these costs are subject to include the 1 per cent levy.

Mr. McCONNELL: Yes, but they have subsidiaries who handle this seed without it going through the licensed facilities.

Mr. MUIR (*Lisgar*): My part of the country, being along the border, there are quite a number of these small seed-cleaning plants, and they buy the wheat from the farmers around. They buy the wheat from him, clean it, and export it to the United States. Now, the farmer does not pay 1 per cent on it.

Mr. McCONNELL: Not unless it is going through a licensed facility. If it is not licensed we would not know anything about it.

Mr. FORBES: I think your suggestion of allowing a seed handler to take 10 per cent off, because of processing, would be about right.

Mr. BAXTER: It is 10 cents.

Mr. FORBES: Per bushel?

Mr. BAXTER: Yes.

Mr. FORBES: Your levy is on a percentage basis?

Mr. McCONNELL: You see, Mr. Forbes, it is not our act; we are instructed under the P.F.A.A. to collect it from the net figure.

Mr. FORBES: Well, you could make recommendations.

Mr. McCONNELL: No.

Mr. MUIR (*Lisgar*): This wheat is sold in two-bushel bags; is it 10 cents on the two bushels, or one bushel?

Mr. BAXTER: On the bushel.

Mr. MUIR (*Lisgar*): That would be 20 cents on the bag, then.

Mr. BAXTER: I had not thought of that, sir.

Mr. FORBES: Let me point this out: There has only been one year in the last twenty years when you could buy bushel bags at less than ten cents, and that was two years ago. In other years it ran as high as 12 to 14 cents. The seed treatment costs you six cents a bushel—and that makes 16 cents. Your inspection costs you 2½ cents, and your final inspection, including tags and seals, run about 3¼ cents a bushel.

Mr. McCONNELL: But the board of grain commissioners has no jurisdiction at all over the grower of seed.

Mr. FORBES: But you have over this P.F.A.A.

Mr. McCONNELL: Yes, if it goes through a licensed facility.

Mr. HORNER (*Acadia*): Is the new elevator which is at Baie Comeau near Quebec?

Mr. McCONNELL: It is near Seven Islands, down the river.

Mr. HORNER (*Acadia*): Will it be able to operate all year round?

Mr. McCONNELL: Well, I think that was the idea when it was built. However, there was no winter cargo went out of it last year.

Mr. HORNER (*Acadia*): Was it in operation last year?

Mr. McCONNELL: Yes. Whether the insurance rates were so high that it did not operate, I do not know; however, there was no winter cargo that went out.

Mr. HORNER (*Acadia*): But it was thought when it was decided to build it there that it would operate all winter?

Mr. McCONNELL: Yes.

The CHAIRMAN: Gentlemen, it is nearly 11 o'clock, and probably this would be an appropriate place to adjourn until 2.30 this afternoon.

Our meeting this afternoon will be held in this same room.

AFTERNOON SITTING

FRIDAY, June 23, 1961.

The CHAIRMAN: Gentlemen, please come to order.

At adjournment time we finished with licensing and bonding.

Mr. HORNER (*Acadia*): I want to ask one quick question on this elevator at Baie Comeau. Who built it?

Mr. McCONNELL: Cargill Grain.

Mr. HORNER (*Acadia*): Is it American or Canadian?

Mr. McCONNELL: American owned. Government policy determined it would be 40 per cent American and 60 per cent Canadian for operating.

Mr. HORNER (*Acadia*): How much does it hold?

Mr. McCONNELL: Eleven million eight.

Mr. HORNER (*Acadia*): Does the government pay storage on the grain stored in these elevators?

Mr. McCONNELL: Yes, if it is wheat board grain.

Mr. HORNER (*Acadia*): Is it wheat board grain?

Mr. McCONNELL: Yes, they are putting some board grain through.

Mr. FORBES: What is the largest terminal we have?

Mr. McCONNELL: That would be it, 11 million bushels. It is the largest single terminal. But the national harbours board would have more in total, 16 million in four different units.

Mr. FORBES: What about the ones they have in Fort William?

Mr. McCONNELL: Nine million bushels.

Mr. MUIR (*Lisgar*): Mr. Chairman, just before we go down to questioning the witnesses, I would like to point out that we are going to be through here at 4.45; the bell is going to ring at that time. I was wondering if we could not probably get on with it so that we can let these gentlemen go home at that time?

The CHAIRMAN: I was going to mention the fact. We expect a vote will be taking place at 4.45, so I hope we can have the co-operation of all the members of the committee and endeavour to finish up with our witnesses at that time. I know they would desire it, and I hope everyone will co-operate in an endeavour to finish that up.

Mr. McCONNELL: I would like Dr. Gray to stand up. He is our entomologist living in Ottawa and looking after all the bugs in elevators across Canada.

Mr. HORNER (*Acadia*): One more question on this Baie Comeau elevator. As I understand it, the Americans built it. Did they choose the site?

Mr. McCONNELL: Yes.

Mr. HORNER (*Acadia*): Apparently it has not been too successful for winter shipping.

Mr. McCONNELL: There has been no winter shipping. They just could not get a charter for the winter months. Whether it was the insurance rate or not, I do not know. You can ask the wheat board that.

Mr. BOULANGER: I would like to ask a question regarding the licence and storage in Montreal, in the eastern part of Canada. Is it the board of grain commissioners or the wheat board who are responsible for the quality of the grain stored in these elevators?

Mr. McCONNELL: You mean the maintenance of the quality? That is the problem of the terminal elevator management.

Mr. BOULANGER: Who is that?

Mr. McCONNELL: Whoever is running the terminal, and then we will inspect it on shipping for export.

Mr. BOULANGER: What I want to know is why there was no feed grain in these elevators for the eastern terminals last fall? It was export quality grain.

Mr. McCONNELL: We have provided for that, sir, and the elevators are licensed for so many bushels according to their capacity. I will illustrate it. The harbours board has 16 million of space in Montreal and we license them for 12 million space. It changes in certain months of the year. That leaves them free to do as they like with the portion that is not licensed. In other words, by the terms of their licence we relieve them of operating the full amount of bushels for our board. That should take care of domestic feeds or milling wheat, or anything of that nature.

Mr. BOULANGER: But due to the fact that they are paid for storage of export grain, do you not think that these elevator owners are more interested in having export grain than feed grain?

Mr. McCONNELL: They could be.

Mr. BOULANGER: That is what happened last year in the east. They did not have any grain. It is still the same thing this fall. Do you know what is happening? They are importing corn from United States, and they are \$12 less for

wheat, less \$5 for premium subsidies on transport, which comes to \$7 less than No. 4 wheat. So the elevators in the west are full and we are going to the United States to buy the corn. We buy 50 millions of corn in Montreal market this year.

Mr. McCONNELL: The elevators in the west are not full of No. 4, 5 or 6 wheat. I think the wheat board will tell you they are rather short of those grades.

Mr. BOULANGER: If they are short, they could sell a higher grade at a lower price, to get in with the corn, so that we will get a greater amount of wheat.

Mr. McCONNELL: Again, I do not like to tell you this, but this is not a matter for the board of grain commissioner. We do not sell the grain nor do we move the grain into position.

Mr. BOULANGER: I did not know exactly whether it was your responsibility or that of the wheat board. Possibly I could put that to the wheat board.

Mr. NASSERDEN: Could you tell us if any American grain has been handled through any of our Canadian terminals?

Mr. McCONNELL: Oh yes.

Mr. NASSERDEN: Has it been very substantial?

Mr. McCONNELL: No. The total amount of American grain last year was 33 million bushels.

Mr. NASSERDEN: Do they charge the same fee for American grain going through, as for Canadian grain going through the United States?

Mr. HORNER (*Acadia*): How do you get this figure of 33 million bushels, when on an earlier paragraph it says 10 million bushels of grain—eastern.

Mr. McCONNELL: I think you are dealing with the report now. Mr. Boulanger asked for last year's figures. We are dealing with 1959-60 in the report. The difference in the figures is due to the question. Mr. Boulanger asked how much last year, and I told him it was 33 million bushels.

Mr. BAXTER: It was 36 million in total. Thirty-three million was the total for overseas shipments.

Mr. HORNER (*Acadia*): How does that tie in with the 10 millions in the report on page 8, which we have already covered?

Mr. BAXTER: That is domestic wheat.

Mr. FORBES: Mr. Nasserden asked how much American grain was stored in Canadian terminals. What is the reverse figure—how much Canadian wheat is stored in American terminals, and do they get the same storage rate as in Canada?

Mr. McCONNELL: Very little.

Mr. BAXTER: On June 14 there was only 392,000 of Canadian rye. That was all of the Canadian grain that was in store in American elevators as such. There were quantities of Canadian in store in Buffalo that had been taken in in bond, and then moved over to the mills. It was out of trade entirely at that point.

Mr. FORBES: But normally we do the storage, and we have got a negligible quantity in American elevators?

Mr. McCONNELL: That is right. Only since the late 1940's.

Mr. MUIR (*Lisgar*): Why do we store it? Why are we worried about the American wheat position?

Mr. McCONNELL: After all, it is a cooperative enterprise—the Seaway was not only for Canada but for the United States. We felt it was in the interest of the Canadian grain trade, as long as western grain was not prohibited from being handled efficiently, and to the full amount required. Also, on account of the earnings accruing to the Canadian companies who handled the grain, it is better for us to make maximum use of the Canadian facilities rather than engage

in the building of American storehouses. That was the basis, I think, on which the government decided that on new construction it would be based on 40 per cent American use and 60 per cent Canadian use.

Mr. MUIR (*Lisgar*): I see.

Mr. McCONNELL: At no time, Mr. Muir, has it hindered the movement of Canadian grain. We have a delay period of two weeks after the official opening, before American grain can be brought in. That gives the wheat board, or any customer, ample time to get stocks down to meet his commitments. Again, we have a prohibition of any American grain entering the system for winter storage after the 31st day of October.

Mr. MUIR (*Lisgar*): Any American grain in store?

Mr. McCONNELL: Except in the proportion that comes in, 40 per cent to 60 per cent. Therefore, I think it is a fairly cooperative setup.

Mr. MACLEOD:

Assistant Commissioners

Through its four Assistant Commissioners, the Board kept in close touch with the operation of licensed country elevators in the Western Division. During the year 1960, the Assistant Commissioners inspected 683 elevators in Manitoba, 1,098 in Northern Saskatchewan, 981 in Southern Saskatchewan, and 1,437 in Alberta, a total of 4,199. This inspection included checks on scales, sieves, moisture meters and certain other equipment; deductions for shrinkage and Prairie Farm Assistance Act Levy; and posting of current Board Regulations applying to country elevators.

Complaints originating from country points totalled 11, as compared with 19 in the previous year.

Disposition of complaints investigated was as follows:

	Manitoba	Saskatchewan	Alberta	Total
No grounds for complaint	—	—	1	1
Settlement effected	—	2	5	7
Complaint withdrawn	1	2	—	3
TOTALS	1	4	6	11

The Assistant Commissioners received and handled numerous inquiries on various matters related to country elevator operation. They also discussed accumulated overages with elevator agents concerned.

Mr. RAPP: Mr. Chairman, I think my question comes under this item. It has to do with sieves. This is apparently a problem with rapeseed producers. Last year we had a wonderful crop, but the sieves used to determine the dockage were such that last year, when we had little, smaller kernels—it was a wonderfully good crop but with smaller kernels—according to the sieves we were supposed to use, some of our dockage would have been from 20 to 25 per cent. Many complaints came to me, so I informed Mr. Milner, and I got a letter from him saying that he would have to check into it.

I think something will have to be done about these sieves. Years ago when they brought in these sieves we used the Argentine variety, which has much bigger kernels than the Polish. So I think the board of grain commissioners will finally have to look into it and decide what sieve to use.

Mr. P. FRASER (*Assistant Chief Grain Inspector*): At the present time we are using 3 types of sieves.

Mr. RAPP: I know there is a number on the sieve that we are using.

Mr. FRASER: The first one, the primary one, is a 4 x 20 mesh per inch wire sieve. The second is a 6 x 21 mesh per inch wire sieve. The third one is a 4 x 22 mesh per inch wire sieve. So far these selections of sieves for the separation of dockage material are such that commercial channels have been able to duplicate them in commercial installations.

Mr. RAPP: I think they use the 4 x 22 sieve to determine the broken kernels and the small kernels, but I think for the kind of rapeseed we are using now, that is, the Polish rapeseed, this sieve is not good, and you will hear some complaints from the older people, just as you used to hear them from Saskatchewan, because there will be much more rapeseed produced, and with the Polish rapeseed there is a difference. So I appeal to the board to look at these sieves and to have something brought in to remedy the situation and put an end to the complaints. Naturally when you use a sieve to determine whether it is No. 1, and 35 per cent comes through the sieve, it is almost ridiculous.

Mr. FRASER: This is a matter which is constantly under consideration and study by the board. It is a daily obsession with us that we duplicate in our inspection method those sieves which are practical in commercial usage. As a matter of fact, I am not above complimenting ourselves for one moment, because I think we have given a measure of leadership to the industry in the selection of sieves which we have so far adopted.

Mr. HORNER (*Acadia*): I have a question on a little different subject. I see you have complaints, and I wondered if you could perhaps give the committee some idea as to what these complaints constitute, and who then were made against,—the elevator companies, the elevator agents or against the farmer himself.

Mr. McCONNELL: I would say that 90 per cent of the complaints originated from farmers who shipped a car of malting barley when it was turned down on account of peeled and broken, and was not accepted by the maltsters.

Mr. ROGERS: Who would inspect it? Who is responsible for inspecting that malting barley? The maltsters?

Mr. McCONNELL: No. The sample comes in from the farmer, and if it is accepted, then the wheat board gives a permit for the farmer to load a car of malting barley, and he will bill it to a certain place. But if it is not accepted—we changed it last year to make it a little more acceptable, from 5 per cent at the country level to 4 per cent; but if the car is still turned down, then it becomes a carload of feed barley, and that is it.

Mr. ROGERS: Is there anything you can do to improve that position?

Mr. McCONNELL: Frankly, we have not cured the problem. We admit that we did try to do so last year; but the percentage basis is not the answer in the handling of malting barley. We never did have any trouble in Alberta before. Mr. Gordon Harold, who is here, will substantiate what I say. This year they are in just as much trouble with malting barley at the west coast as we have been at the lakehead.

Mr. ROGERS: The consensus seems to be that so long as the supply is there they are pretty tough, and when it is not there they are a little more reasonable.

Mr. McCONNELL: It is a competitive buyers' market at the present time. If they can select a better car, I do not know what you could do about it. It is, however, certainly more satisfactory.

Mr. SOUTHAM: Last year this committee had a discussion about inspection and grading of grain, concerning testers and meters. We heard complaints to the effect that there was not a uniform standard of meter being used and that

there were a lot of occasions where there had been breakdowns and interruptions in service. We made the suggestion that there should be uniformity of meters and a set-up for repairs.

Dr. I. HLYNKA (*Assistant Chief Chemist for the Laboratory, Board of Grain Commissioners*): We did survey the precision of accuracy of these meters throughout the country. There were some forty-five hundred of them. This was done largely through the services of the assistant commissioners, particularly in Manitoba and Saskatchewan. In addition to that we maintained a constant check on the meters at our own inspection points. The companies located at the inspection points—the head offices—checked their meter against ours and then also checked their country elevator meters against their head office meter, which had been checked with ours. The accuracy of these is quite satisfactory. Ninety per cent of the meters used in the country elevators were accurate to within .3 of one per cent.

Mr. SOUTHAM: I would assume then that you are getting very few complaints in this connection, and in respect of service.

Dr. HLYNKA: Very few complaints. We have weekly or every second week service to our inspection points. Our meters are constantly under check and supervision.

Mr. SOUTHAM: Thank you.

Mr. McCONNELL: I might say that the suggestion to check the meters came from this committee, and that is the action which has been taken.

Mr. MUIR (*Lisgar*): In respect of Mr. Rapp's question about the rapeseed, I think that if thirty per cent of the rapeseed is going through the sieve it is a little too much. It is due to the fact that the rape that is grown in our country is smaller than the Argentine rape. I might as well tell Mr. Fraser that Mr. Rapp will not let him sleep until he does something about this.

Mr. McCONNELL: I do think that if you get a sieve which will save all that, then almost inevitably they will be exporting a lower quality of rapeseed. I believe this is a seasonal problem in respect of the small seeds.

Mr. MUIR (*Lisgar*): Could you have one of your people go out at the start of the season and see what these sieves are doing, so that you know from first-hand what is happening.

Mr. McCONNELL: We will take that suggestion.

Mr. MUIR (*Lisgar*): I think Mr. Rapp would be pleased about that.

Mr. FRASER: We had an examination of fourteen hundred samples last year.

Mr. RAPP: These sieves have been used for the last ten years. At that time we had Argentine rape, which was the rape first brought into this country; the kernels are much larger. However, the small kernels put through the sieves here are sound kernels; they are only smaller in size.

Mr. FRASER: In 1958 on a suggestion from Mr. Rapp six by twenty-one mesh per inch sieve was put into practice.

Mr. FORBES: I just want to add a word or two to what Mr. Rogers said in respect of malting barley. A few years ago while we were having wet seasons at Dauphin a lot of our barley was accepted, but now they are looking for low protein barley and are looking for areas which have had a wet season. These malting companies are highly selective now.

Mr. HORNER (*Acadia*): Do most of the companies arrange with the elevator agent to take a sample and then claim that his sample is not borne out by the carload lot?

Mr. McCONNELL: The carlot sample is final; but if the farmer is dissatisfied the agent is supposed to retain a sample of the barley as it is delivered at the elevator and again a sample of the barley as it is loaded into the car.

If the farmer is dissatisfied and sends in a request that he wants his car reviewed, the box comes in and the farmer sends the key in separately, and the sample is reviewed in the box. It will stand up to the grade sometimes; however, you cannot force the maltster to take the car of barley.

Mr. HORNER (*Acadia*): Why not, if he has accepted it in the first place and the grade holds up to be a true sample?

Mr. McCONNELL: As a rule, that kind of car is not turned down. However, as a rule, the more handling, the greater the increase in the peeled and broken. It is about one-half to one per cent in every operation.

Mr. HORNER (*Acadia*): What are most of the cases in which malting barley carloads are turned down?

Mr. McCONNELL: The unloading sample is not as good as the sample sent in the first place. I think I should state this, for the benefit of the companies. There are two malting markets. There is some feed barley purchased for malting purposes. This is used for the lower quality malting market, and you will appreciate that the maltsters would use this lower quality feed barley to service this demand. However, by far the largest portions of the market is for the high quality 3 C.W. malting barley.

Prosecutions

One penalty in the amount of \$100.00 was levied against a licensee for failure to comply with instructions issued by the board.

The CHAIRMAN: Are there any questions on prosecution?

Mr. HORNER (*Acadia*): What was the cause of such a penalty, as levied here?

Mr. McCONNELL: I think it was \$100, and I believe it was an order of the board, was it not? It was a case of grain being removed from the storage building and no grain was to be returned to it. However, one company accidentally made a mistake and put 5,000 or 7,000 bushels back in, and this was the penalty they paid for so doing, because the wheat board is anxious to have all this shipped out. If we allowed grain to be put back in, we never would get it shipped out.

Mr. HORNER (*Acadia*): Who collected the \$100?

Mr. McCONNELL: The Receiver General of Canada.

Mr. ROGERS: Are elevator companies prone to keep this grain in outside storage?

Mr. McCONNELL: They have no alternative. Unless the wheat board orders the grain out and gives them cars under some particular order, they cannot move it until the wheat board finally orders it out and supplies the cars to do it.

Shortages and overages, country elevators

Country elevator companies were able to complete the weighover of stocks with respect to 2,101 elevators, some 300 more weighups than were made in 1958-59. A review of these audits indicated no significant changes in the pattern of overages and shortages from that which applied during the previous season as will be noted from the summary table shown below:

<i>Elevators reporting</i>	<i>1959-60</i>	<i>1958-59</i>
Shortages	585	534
Neither overages nor shortages	4	6
Overages of less than .25%	980	846
Overages of .25% to .50%	413	316
Overages over .50%	119	99
Total elevators weighed over	2,101	1,801

The board summoned 109 agents of country elevator licensees to appear at hearings held at Winnipeg, Regina, Saskatoon, Calgary and Edmonton, in connection with excessively high overages. At these sessions, members of the board interviewed the agents and examined records concerning their operations in the presence of senior officials of the companies concerned.

Mr. McCONNELL: This is the old perennial story, and, as you might recall, I told you a year ago that in 1957 we had a weigh-over of 1,649 elevators by the various companies concerned. In 1958 the figure was 1,542 weigh-overs; in 1959 it was 1,801, and in 1960 we had 2,101.

I mentioned a year ago that until the time came that we could have more weigh-overs we would have some anxiety about our overage position, and I think this is pretty well borne out. You realize that, first, their agent is bonded and the elevators are licensed, and the percentage, throughout the years, gentlemen, I think was .05, .09 and .08. Now, gentlemen, that is about as close as you can weigh grain. If we keep it at this level and weigh over about 4,000 elevators a year we would not find much to worry about. In the 2,100 elevators, because the companies have not been able to weigh over the elevators, we have now some elevators weighing over that are less than three years. The grain has not been weighed for three years or less. Then we have in the group of elevators weighed over this year, in the total of 2,100, another group that was between four and six years, and a smaller group of elevators that went anywhere from six to ten, eleven and twelve years.

When you break this 2,100 elevators down on that basis, the percentage of the first group of 1,100 elevators is .014 per cent, and that is about as close as you can weigh grain. I may add that those gentlemen did a very good job on the country elevators because they never had too much help. There were 1,172 elevators in the next group which went from four to six years, and they came up with .145, which is still pretty good. If we could improve on them and get between .05 and .08, that runs about 54 pounds per 1,000 bushels, and that is very good weighing. In the 400 odd elevators in the six to twelve years group it increased to .206

You may remember what I said last year about the uncertainties of the agent in buying grain. He does not know how he stands in his house. His superintendent is after him not to be short, and if he goes six or ten years, this is the result. We are not happy about it but I am confident the agents as a whole are first class citizens. They have tried to do a very good job under very difficult circumstances. I shall ask commissioner Svoboda to tell you about this. He spent two weeks with commissioner Loptson interviewing 110 agents.

Mr. SVOBODA: There is not much I can add to what Mr. McConnell has said, but with respect to instructing the agents on how to cooperate with the farmers, in the last two years I have inspected some 1,600 elevators. They are responsible and respected citizens. They have the company on one side of them and they have this jump in overages on the other side, and they are trying to stay in line and do a good job. I do not want to condemn their efforts, because they are doing the best they can.

We are getting excellent cooperation from the companies concerned. They are going out of their way, particularly during the last two years, to train their agents and help them out in difficult times. Another matter I discovered during my last trip on inspection was that there is great difficulty over the large amount of damp wheat which agents had to handle last year, and some of the agents were new men. In 1959 there were a whole group of new agents and they got into difficulties. These large overages turned up mainly as the result of the extreme problem that resulted from the 1959 damp crop. That is all I have to say, gentlemen, thank you very much.

Mr. HORNER (*Acadia*): Why are there elevators going back four, five and six years which have not been inspected, especially since you inspect something like 1,600 elevators a year, and this year you inspected 2,100, and there are only 5,300 elevators in western Canada?

Mr. McCONNELL: You have to divide them up by years. We should like them to weigh over every year. Some of them are weighed every year and some every two years, but some have never been weighed for six, eight and twelve years. That is up to the companies.

Mr. HORNER (*Acadia*): I was under the impression they had to be weighed over every two years, and that it was up to the elevator companies.

Mr. McCONNELL: From where are you reading?

Mr. BAXTER: He is referring to the terminals.

Mr. HORNER (*Acadia*): I do not know where I read that.

Mr. McCONNELL: This is country elevators.

Mr. HORNER (*Acadia*): This does not apply to country elevators?

Mr. McCONNELL: No, I think we shall come to that point later. There is a stated time—every 22 months—when we must weigh up terminals. This is the country elevators and we keep pressing the companies to get a weigh over, and they do when oats and barley get short. They will take a weigh over check of their oats and barley, but wheat is generally stored in the annexes. The overall picture seems a lot of bushels, and you will get the total bushels in the wheat board report; but when you relate the amount of bushels in the wheat board report to the total amount of wheat which the wheat board receives, it works out at about $\frac{1}{2}$ of 1% on the total, and that is not bad.

Mr. THOMAS: Mr. Chairman, in confusing shortages and overages is any allowance ordinarily made for moisture content of grain?

Mr. McCONNELL: They have three-eighths of 1 per cent of a shrinkage to work on all the time at the country elevator level, and if it is damp grain the shrinkage goes up to half of one per cent; so the agent can really accumulate bushels if he looks after the shrinkage table. That is a safeguard so the farmer will get the full amount of pounds on the beam.

Our former boards of commissioners found, I think, a shrinkage of half of one per cent, proved to be too much, so the same board the following year reduced it to a quarter of one per cent, which again proved to be too little. There were too many agents coming up with shortages, and no company can afford to operate a line of elevators and run short. So I would say that for at least five or six years, as long as I have been on the board, the shrinkage has

been three-eighths of one per cent. That is protection for the agent to give the farmer good weights and not monkey with the beam on weighing. With different shrinkage allowances it runs to $1\frac{1}{2}$ per cent on flax and $1\frac{1}{4}$ per cent on oats and barley.

The CHAIRMAN: The next one is regulations.

Mr. MACLEOD:

Regulations

The following amendments were made to the Board's Regulations, effective August 1, 1960:

Regulation No. 5: The sections headed "Rejected" and "Sample" were revised to provide improved grade names for certain "off grades" of western grain.

Regulation No. 10: This was revised to make it applicable to licensed elevators at all St. Lawrence ports, rather than to Montreal only.

Regulation No. 18: Section 9 was revoked.

Mr. McCONNELL: These were all dealt with by the board, some after consultation with the companies, and they were all done to make less grades so that a greater advantage could be taken of binning space. Section 9 of regulation 18 on shortage bond had become obsolete anyway and it was removed from there. That is all the explanation required.

Mr. MACLEOD:

Committees on Grain Standards

A sub-committee of the Committee on Western Grain Standards met at Winnipeg on June 21, 1960, to consider problems relating to the grading of barley, and passed a resolution that several changes be made in grading procedure, effective August 1, 1960, including abolition of the commercial grade of No. 4 Canada Western Six-Row Barley.

The Board constituted Committees on Western and Eastern Grain Standards for the Crop Year 1960-61 as provided in Section 25 of the Canada Grain Act. Personnel of these Committees is listed in Appendix A.

A meeting of the Western Committee was held at Winnipeg on October 20, 1960. The members received numerous reports relating to quality of crops grown in the 1960 season and to various other matters in connection with grading of grain, and also selected and settled standard samples and standard export samples for various grades of Western grain.

The Eastern Committee met in Toronto on August 17, 1960, and in Montreal on October 26, 1960, and established standard samples for grades of grain grown in Eastern Canada.

Both groups authorized continued use of previously selected standard samples in instances where suitable recent samples for established grades were not available.

The CHAIRMAN: Any questions on that?

Agreed.

Mr. MACLEOD:

Inspection of Grain

Grain crops in Western Canada in 1960 were generally above average in both yield and grade. In the spring, moisture ranged from adequate to excessive; wet fields delayed seeding in many areas, and some 1959 crops that remained in the fields over winter were not threshed until May.

The wet spring started crops off well; bumper crops were anticipated, but subsequent prolonged drought reduced average yields of grain to

just above normal. Drought and heat caused some light weight grain across the southern parts of the three Prairie Provinces, and consequently some degrading; some crops that were sown late on account of the wet spring were damaged by fall frosts, particularly in the Peace River area, but exceptionally dry, mild harvest weather produced higher average grades than in several years. Broken kernels, the result of low moisture content, was a significant grading factor in many districts.

It was estimated that about 95% of the 1960 red spring wheat in Manitoba and Saskatchewan, and about 70% in Alberta, would qualify for Manitoba No. 3 Northern or higher grade. Similarly, Amber Durum wheat was generally No. 3 Canada Western or higher; blackpoint and smudge were the main reasons for durums not qualifying for No. 1 Canada Western generally. Thin kernels, from the drier southern areas, were conspicuous in the small amount of low grade that was harvested.

In the drier southern districts much of the barley had thin kernels, and frosts damaged some of this grain in the Peace River area, but a high proportion of the barley crop qualified for "malting" grades—No. 3 Canada Western and higher.

1960 crop oats generally had good test weight per bushel, and the fine fall weather produced good supplies of high grade, millers' quality of oats. The average quality of rye was good; No. 2 Canada Western was by far the predominating grade.

Flaxseed was generally No. 1 Canada Western, except for some light weight seed from the drier areas. Rapeseed production was estimated at more than three times over 1959, production having been stimulated by an increased overseas demand for this oil seed; drought in some southern districts, and frost in Northern Alberta did some damage, but most of this crop qualified for the top grade of Canada Rapeseed. This brisk overseas market sparked an unusually heavy fall movement of rapeseed; it was estimated that about 75% of the crop had been delivered from farms by mid-November.

Production of domestic mustard seed increased substantially in Southern Alberta in 1960; most of the crop qualified for No. 1 Canada Western, with the Oriental type predominating.

In the Lethbridge area there were about 7,400 acres of safflower seed and over 1,000 acres of pea beans. Both produced high grade crops; the colour of the beans was exceptionally good and the incidence of damage was quite low.

The CHAIRMAN: Any questions?

Mr. MUIR (*Lisgar*): You mentioned safflower seed—is that sunflower seed?

Mr. McCONNELL: No. This is grown in southern Alberta.

Mr. HORNER (*Acadia*): Some of it grows in Saskatchewan.

Mr. MUIR (*Lisgar*): So it is not sunflower seed you are talking about?

Mr. McCONNELL: No, it is safflower.

Mr. FRASER: Safflower was recently introduced in Alberta. It is quite different in appearance to sunflower seed. It is increasing in volume and a crushing plant was established at Lethbridge. Alberta is encouraging the production since they entered the field. We had grades set up of 1-CW and 2-CW but they are not qualifying for these grades.

Mr. DOUCETT: What is it produced for?

Mr. FRASER: Edible oil.

Mr. HORNER (*Acadia*): Is not the oil used for white paint? It does not bleach.

Mr. FRASER: It has a limited industrial use but I do not know what is the nature of the industrial use.

Mr. HORNER (*Acadia*): I was told that safflower seed is a white seed and its oil is white. High grade quality paint is made from it, as it will not turn yellow after years. This is the yarn someone told me.

Mr. FRASER: I could not say yes or no.

Mr. MUIR (*Lisgar*): Have you got anything to do with the inspection of sunflower seed in Manitoba?

Mr. FRASER: There has been practically no inspection of Manitoba sunflower seed in recent years. This is between producer and consumer.

Mr. McCONNELL: Practically all of it is processed in Altona.

Mr. SOUTHAM: There was an amendment to the Railway Act the other day with respect to mustard seed. I was wondering if there is a very large development or growth of mustard seed in western Canada?

Mr. BAXTER: The 1960 acreage of mustard seed was 156,000 acres in western Canada for the total production of 74.7 million pounds.

Mr. McCONNELL: Not very great.

Mr. MACLEOD:

Research Laboratory

The Laboratory provided information on the quality of 1960 western grain and on grain marketed during the 1959-60 crop year for presentation at the October meeting of the Committee on Western Grain Standards and subsequent publication in maps and bulletins. Quarterly bulletins on the quality of cargoes of Red Spring and Amber Durum wheats were continued; with the beginning of the 1960-61 crop year, these two bulletins have been published with text and table headings in French, German and Spanish, as well as English.

Amongst many services provided to the Inspection Branch, assistance in the control of grain drying was of major importance this year; further simplification of test methods and general procedure resulted in improved control under difficult circumstances caused by the high initial moisture content of much of the grain. The Laboratory continued its co-operation with the Canadian Wheat Board, Trade Commissioners, and others involved in merchandising Canadian grain. Studies of new varieties were undertaken as usual in collaboration with the Department of Agriculture. Basic and Applied research projects completed during the year have been reported in 13 papers published or in press in scientific journals. Difficulties are still being experienced in recruiting professional staff to fill vacancies in research sections.

The Director of the Laboratory accompanied the Chief Commissioner on a mission to Japan and Hong Kong, and subsequently visited Australia and New Zealand. Earlier in the year, he attended cereal conferences in Austria, Norway and the Netherlands, and special meetings in Switzerland. Dr. G. N. Irvine represented the Board at the Netherlands Bakery Foundation Exhibition in Amsterdam, and visited Germany and the United Kingdom. Further studies of markets and of grain handling and processing were made during these tours.

Appendix F provides a summarized account of work undertaken by the Laboratory. More complete and detailed information will be published in the Laboratory's Annual Report for 1960.

Mr. THOMAS: Can the witness give us reasons for the difficulties in recruiting professional staff?

Mr. McCONNELL: All I can say, Mr. Thomas, is that we have one of the best laboratories in Canada under the board of grain commissioners. We are proud of it. I think you have all met Dr. Anderson, the chief chemist, and director in charge. I think you will recall that last year Dr. Irvine was here. Dr. Irvine is at present on some special work, for a period, with the wheat board. Here at present we have Dr. Hlynka with us, and I will turn the question over to him.

Dr. I. HLYNKA (*Assistant Chief Chemist, Board of Grain Commissioners for Canada*): I would like to answer that question by saying that perhaps there are two reasons which I can suggest. One is that the supply of graduates has not been large, that is, graduates at the doctorate level for whom we were looking. Secondly, one of the other difficulties is that cereal chemistry as such is not taught and we have to find people who are interested in this field. Most of the graduates are interested more in pure chemistry or industrial research where they consider opportunities are more directly related to their training when they graduate fresh from the university in the spring.

Mr. HORNER (*Acadia*): May we be given some idea, seeing that the research team toured the other countries, as to what wheats are grown mainly; and how, in regard to quality, are we, in regard to wheat produced mainly in the Netherlands and those countries?

Dr. HLYNKA: Among other things, we make a constant check, like all good people, of the products of our competitors. As a result, we have samples of wheat from various countries, which are supplied to us. We still can say with some justifiable pride that Canadian wheat is tops in quality. The only competitors would be some classes of wheat in the United States, and some classes from Argentina. All the other wheats that are grown are mostly the wheats that are of a softer type where the yield is large but the quality is poor. This is true of the Netherlands or the United Kingdom, or France, or Germany, and most of the countries that we know.

Mr. HORNER (*Acadia*): What about Russia? I understand Mr. Conacher toured Russia a year ago. Would the same hold for Russian wheat? I imagine he had a chance to examine it.

Dr. HLYNKA: The Soviet Union has a variety of wheats, but not much of it reaches the market and we are interested only in what reaches the market. It is the only thing we can get our hands on. They have had occasional samples of good wheat, but it is extremely variable and on the whole what we have looked at has not been up to our Canadian wheat in quality.

Mr. SOUTHAM: We have acknowledgements of the fact that Canada has a cereal which is of a very high quality. It has been brought to our attention that Russia is possibly thinking of invading our markets. Have our cereal chemists in the last three or four years been checking these particular samples, to find out any improvement in the average, and to reach an objective in getting a better quality of wheat?

Dr. HLYNKA: We have not been checking wheats for a sufficiently long period from the Soviet Union to be able to answer yes or no to that. We have done so from the more accessible countries. For instance, wheats of French origin have been improving, but they have a long way to go. Wheats of German origin have been coming on. Sweden has been doing good work in plant breeding and development. It is true that most of the people try, but it a matter of economics—they have to choose between yield and quality. We are blessed in the western part of Canada in having a semi-desert condition in which we have no choice. We have to sacrifice yield, but fortunately we are getting quality.

Mr. FORBES: Is that "semi-desert" a new definition for this year?

Dr. HLYNKA: This is correct. This year we have not had the rain for more than 40 days, up to now.

Mr. ROGERS: I would like to know how our standards of Canadian wheats are standing up? Are they better or improving?

Dr. HLYNKA: When I speak of quality, I speak of quality under the skin. Mr. Fraser, our inspector, will speak of quality based on appearance.

Mr. ROGERS: I am interested in quality solely.

Dr. HLYNKA: The answer to that question, then, is this, that the statutory standard that we have in the Canadian Grain Act is the variety Marquis. Our present varieties are substantially better than Marquis—the varieties like Thatcher, for instance—in quality. It is the aim of plant breeders to accept the quality of Marquis as a minimum standard for new varieties that are developed.

Mr. FORBES: Is there any comparison with Selkirk in the new variety, or what is the ratio of quality there to Marquis? Can you give something on that?

Dr. HLYNKA: They are all good qualities. They are like differences in personality between different people you meet. That is about where I would like to leave it. Pembina, of course, being a new wheat, has not appeared in any amount in commercial channels. Selkirk has been grown for a number of years, and it is now the largest variety grown in Manitoba and eastern Saskatchewan.

Mr. PASCOE: On the quality of wheat, would you say, Mr. McConnell, that there is a smaller percentage of wheat growers growing No. 1 now?

Mr. MCCONNELL: Last year it was 1.9 per cent and this year it is 1.4 per cent.

Mr. PASCOE: How does it compare with earlier years?

Mr. MCCONNELL: This is a hardy old perennial too. In my opinion, the quality has not suffered at all, but with the Marquis being the standard with a small uniform tidy kernel and a nice red colour, it was almost perfection. As we progressed and got a higher yield in wheats or just as high, and earlier maturing wheats, I think we lost something to gain these things. To gain some protection against sawfly we introduced Rescue wheat and Chinook wheat.

In Manitoba now it is largely Selkirk and with the introduction of these wheats, I think we lost something in appearance. The reason is, Mr. Pascoe, and we must all agree on this, when we cut the crop with binders and it was stooked, it went through the process of maturing in the stook, some of the stooks with 12 to 14 swathes, in the hot sun; and dew every night contributed a measure to changing the colour a wee bit. These things I am sure are the main reasons why there is no No. 1 Northern wheat today.

Mr. HORNER (*Acadia*): That would not affect the quality.

Mr. MCCONNELL: Not inward.

Mr. HORNER (*Acadia*): I do not "buy" that at all. I did not bring the subject up this year. In 1938, 33 per cent of the Canadian wheat sold for No. 1 wheat. Certainly there were a lot of combines in use in those days. I certainly do not buy that at all. I think we are growing No. 1 and selling as No. 2 today. A lot of farmers would agree with that, I am sure.

Mr. ROGERS: They may be as far as quality, but certainly not in colour.

Mr. HORNER (*Acadia*): Since when does colour determine the grade of wheat? If I know the meaning of the grain act, the colour is not even mentioned in determining between No. 1 and No. 2 wheat. Colour is not mentioned.

Mr. MCCONNELL: The appearance is.

Mr. HORNER (*Acadia*): It is determined on the phrase "practically free" or—

Mr. McCONNELL: —and "reasonably free".

Mr. HORNER (*Acadia*): Yes, "practically free" or "reasonably free". These determine number one and number two wheats, colour is not even in the determination between No. 1 and No. 2 wheat. Colour isn't even mentioned.

Mr. McCONNELL: The appearance is.

Mr. HORNER (*Acadia*): It is determined on the words "practically free" and "reasonably free"; there is a difference between No. 1 and No. 2 wheat depending on those words. I went into it a couple of years ago.

Mr. HENDERSON: The finest wheat we ever grew in the Peace River country was Garnet. It was nice wheat and we could sell it.

Mr. McCONNELL: That was because you had a very small amount of it.

Mr. HENDERSON: We got rid of it all one year.

Mr. McCONNELL: Would you like to speak on the grading, Mr. Fraser?

Mr. FRASER: I would be happy to do so. Our report on the grading of No. 1 Northern for many years included the production of red spring wheat. Garnet wheat is graded by itself and should not be considered in the total. I have the figures. The increase in milling grades is in excess of one half of one per cent of all we report to you in Garnet wheat, and has never been included in this reported wheat. In my opinion it should not be.

In 1959-60 the percentage of all red spring wheat grading No. 1 Northern was 1.4 per cent. The percentage of grades of red spring—not milling grades; I have not included them, because I think it is a much fairer comparison actually—is 1.8 per cent. By milling grades I mean from No. 1 northern to No. 5 wheat. The percentage of coarse red spring up to May 31, 1961, is 2.1 per cent, and in it the milling grades is 2.3 per cent. Now, if I may continue I think the reason for the drop in grading red spring wheat into No 1 grade Northern is largely economic. I am theorizing about this when I say that a good farmer is concerned about prestige as well as income, that is, income through quick harvesting, with less labour in the field, and with consequent dividends to go into his pocketbook. That would be the controlling factor. If he left it in the stook, as Mr. McConnell said, and gave it a chance to ripen properly, this, in particular by some of the recent authorities was discredited, because of two or three days interval in the period of maturity.

Mr. HORNER (*Acadia*): I would like to point out that since 1955 there has been anywhere from close to five per cent, if I remember correctly; and from 1948 to 1955 it varied all the way up to nearly 5 per cent; but not since has it been near to five per cent; and certainly there was not any in 1955 to any great extent.

Mr. FRASER: When I spoke before this committee two years ago, I went out on a limb when I said that we had a significant increase in No. 1 Northern. Then came the rains, and you do not grade No. 1 Northern when it rains.

Mr. HENDERSON: We sold all the wheat there was in the field, and there was not a bushel left in the Peace River in the granary. Moreover the most prosperous farmers in Canada today are those in the Peace River.

Mr. McCONNELL: Most of the grain feeding is done in British Columbia.

Mr. FORBES: I thought all they could raise up in the Cariboo was chicken feed, anyway.

The CHAIRMAN: Let us go on to "weighing of grain".

Mr. HENDERSON: We were five times champion of the world, up in the Peace River.

Mr. MACLEOD:

Weighing of Grain

The staff of the Board's Weighing Branch provided usual weighing services at licensed elevators and investigated complaints relating to reports of excessive outturn shortages on carlot and cargo shipments. The Board's scale inspector carried out periodic tests and inspections of scales at licensed terminal and eastern elevators, and made special inspections when such were considered necessary. Further detailed information in regard to the work of this Branch is given in Appendix E.

Mr. HORNER (*Acadia*): Do you consider that weighing a truck with the front wheels on the scales first, and then the back wheels on the scales, is a proper weigh? Does this give you the same weight that you would get if the scales were long enough so that you could put the whole truck on the scales at once?

Mr. MCCONNELL: Frankly I would not like to express an opinion.

Mr. HORNER (*Acadia*): I do not know where it exists, but I have been told that the two weights come out pretty near the same, when you weigh the front wheels first and then the back wheels. I wondered if there were any tests made, and if it is an official way to weigh grain?

Mr. MCCONNELL: We accept it, but I have not heard of any tests being made. Have you, Mr. Baxter?

Mr. BAXTER: I have not heard of any.

Mr. MCCONNELL: We should try to do this for you this coming year and give you an answer.

The CHAIRMAN: Let us go on to "weighover of stocks, terminal and eastern elevators".

Mr. MACLEOD:

Weighover of Stocks, Terminal and Eastern Elevators

In accordance with the provisions of Sections 139 and 140 of the Canada Grain Act, 25 terminal and 20 eastern elevators were weighed over during the 1959-60 crop year by members of the Board's Weighing and Inspection staffs.

Deferments into the following crop year were made at 11 terminal elevators at the Lakehead, 9 terminal elevators at other points, and at 8 eastern elevators. The Board found it necessary to grant these deferments to avoid delaying the handling and loading of grain required to meet export orders. However, it was possible to carry out eight of these deferred weighovers before the end of December, 1960.

Tables C-12 to C-14 of Appendix C contain the results of weighovers carried out in the 1959-60 crop year.

The CHAIRMAN: Are there any questions?

Mr. MCCONNELL: Is this the section you refer to Mr. Horner, when you mention the time limit on weighovers?

Mr. HORNER (*Acadia*): Yes. I realize that I was dealing with country elevators, and I thought that the same holds true for them; but apparently it does not.

Mr. SOUTHAM: When you say you do not have legislation or authority to insist on the weighover of country elevators, have you received any number of complaints to indicate that we should amend our rules and regulations in that respect?

Mr. McCONNELL: I do not think you could enforce it. If there is no room in the terminal to weigh the grain, and no cars provided for it, you just could not do it.

Mr. PASCOE: You refer to tables C-12 and C-14. Table C-12 talks about excess and deficiencies; it is pretty nearly all deficiencies. Can that be explained? It is on page 34. I do not see many marks in excess.

Mr. McCONNELL: That is after the allowance at the terminal elevator. There is an allowance of one quarter of one per cent, and at eastern terminals it is $\frac{1}{16}$; so you add the allowance before you come up with a figure for the weight. You must assume that there is one quarter of one per cent in the case of the terminals and $\frac{1}{16}$ of one per cent in the case of eastern elevators, that is a shrinkage within the grade.

The CHAIRMAN: Proceed to the next paragraph.

Mr. MacLEOD:

Entomological Investigations

To protect Canadian grain in storage from losses by insects and other grain pests, a regular program of inspection of terminal elevator premises and grain stocks was carried out during 1960. Most of the terminal elevators were visited at least once during the season. The elevators in the Bay Port and the St. Lawrence river area were examined on three occasions. One trip was made to the Pacific coast area. Discussions were held on each visit with the management on the conditions existing and when necessary, instructions were issued on control.

In general, the terminal elevators were reasonably free from insect pests. During the seasons of 1959 and 1960 a stepped-up program on the Pacific coast has resulted in a marked improvement in most of the elevators in that area.

A visit was made to the new Cargill grain elevator at Baie Comeau in July. As it had just been placed in operation a short time previously, it was too early to determine whether the structural features will pose any special insect problems.

The second season of operation of the St. Lawrence seaway still leaves some questions as to the future grain handling patterns. As in 1959 a considerable amount of United States grain is being handled for export through Canadian elevators. Further checking has been carried out of United States grain in store in Canadian elevators to determine its freedom from insect pests. One lot of United States corn was found to be infested and was fumigated at the time of unloading. In another case the elevator declined to take an infested cargo.

Some infestation has been found in Canadian Eastern wheat and one parcel was fumigated.

All of the Canadian government elevators have been very carefully examined during the past three years. Grain is stored for long periods of time particularly in the interior ones. Large representative samples were drawn from the bottom of all bins and examined for insect infestation.

Two short courses for grain elevator personnel are planned for early in 1961 at Montreal, Quebec and Toronto, Ontario. Because of the changing personnel in the terminal elevators there has been a strong demand from the management of the terminals for these courses both for new employees and as a "refresher" for older ones. This educational work by the Board is greatly appreciated by the grain trade.

Close contact has been maintained with the various grain inspection offices of the Board by regular visits through the season to discuss insect control with the staff.

The Board's entomologist, Dr. H. E. Gray, has maintained contact with the grain and milling trade through attendance at the annual convention of the American association of operative millers in St. Louis, Mo., in May.

Close liaison has been maintained throughout the year with the plant protection division of the Department of Agriculture on matters relating to grain storage and grain-infesting insects.

Mr. PASCOE: You mentioned the structural features of the elevator at Baie Comeau. What particular features are they?

Mr. McCONNELL: There are two three-and-a-half-million bushel flat warehouses. What you and I would think of as ordinary rafters are built of big tubular steel. With that, there is difficulty in moving around the large gallery for loading and unloading at the same time. I think it does offer special problems.

Dr. H. E. GRAY (*Entomologist, Board of Grain Commissioners*): The structure is one which is unique so far as Canada is concerned. The walls consist of ordinary concrete and there is a row of five large bins with inter-spaced bins. In addition to that they built the first large steel tanks which hold about three-quarters of a million bushels in one bin of one grade. With any of these innovations we are always a little conscious of whether it will pose problems which we do not have in smaller terminal storage. That is why I raised the question there of whether there would be any problems we had not encountered in the more regular type of storage.

Mr. PASCOE: Is this something brand new all over the world?

Dr. GREY: This same type of storage has been used in the United States in certain areas. Of course, down there their insect problems are much greater than ours. When this was built in the first place we were wondering whether it would make any difference in the type of problem we might have to face here in connection with the terminal storage.

Mr. PASCOE: When the board gives a licence for an elevator do they specify the type of structure?

Mr. McCONNELL: The structure has to be approved by our board.

Mr. MANDZIUK: How long will wheat stay in storage under ideal conditions without deteriorating?

Mr. McCONNELL: As I mentioned, we are carrying grain which is eight or ten years old. The change which takes place is in the aging of the wheat. If it is milled without bromate or other additives it does not hurt it; but if the customer receives a current year's crop which has been shipped in the same hold with eight-year-old wheat, when it is milled he will be dissatisfied in the older wheat.

Dr. HLYNKA: Wheat has been known to keep for quite a good long time under ideal conditions of moisture content and temperature. Probably the most ideal conditions today in Canada would be in the Churchill terminal. As the wheat gets older it requires different treatment for baking; it requires less of certain additives. The thing which people expect from Canadian wheat is to get uniformity, shipment after shipment. They do not like to get inequality of shipment. They like to have the same quality year after year, if they can, or shipment after shipment. Our biggest variation has been, for various reasons, in the Pacific coast. Wheat exported from our eastern terminals is very much more uniform because of the funneling and blending which takes place at the lakehead.

Mr. ROGERS: When you ship, say, six-year-old wheat, is it blended before it is shipped?

Dr. HLYNKA: As it goes through the terminals there is a certain amount of unavoidability of blending; no identity is preserved for any wheat. Sometimes efforts are made to blend a little bit.

Mr. HORNER (*Acadia*): Within different grades.

Dr. HLYNKA: Yes.

Mr. SOUTHAM: When you speak about deterioration in grades, is it deterioration in food quality?

Dr. HLYNKA: No; in the baking quality. When you want to make a sponge cake and use egg whites, if the eggs are cooked or too old they won't beat up in the quality you require. The same thing happens here. It is the ability to make a fine textured loaf.

Mr. MUIR (*Lisgar*): The age does not affect the fertility.

Dr. HLYNKA: Some of the germination will go down. It does deteriorate. I do not like to buy wheat that is ten years old for certain purposes.

Mr. MUIR (*Lisgar*): There is wheat which has been taken out of one of the Egyptian tombs which it is said has the quality to germinate. Does that seem reasonable?

Dr. HLYNKA: It does not seem quite reasonable to me. I will not dispute some of these stories. One of the reasons why people do not like peeled and broken barley is because mould and infestation sets in; and also germination, which is the prime factor in producing malting barley, is reduced; that means a loss in the amount of malt.

Mr. HENDERSON: We had a case in the Peace River area where one fellow sued a grain company for \$20,000. The company held the barley a long time and then it did not germinate; so he sued them. I do not know how he came out.

Mr. ROGERS: Have we any idea how much old wheat we have on hand?

Mr. McCONNELL: Could I beg the courtesy of the meeting to say a few words off the record, because I do not want to give too much publicity to how we are handling the older stored wheat.

The CHAIRMAN: Would this be agreeable to the committee.

Agreed.

The CHAIRMAN: And we hope the press will cooperate and not publish this.

(At this point Mr. McConnell speaks off the record).

Terminal and Eastern Complaints

During 1960, the Board directed the investigation of 44 complaints relating to reports of excessive outturn shortages on shipments to Eastern Canadian points. Included were 35 on vessel shipments from Fort William and Port Arthur, 4 on vessel shipments from Eastern transfer ports, 3 on vessel shipments from other ports, and 2 on truck and carlot shipments.

These complaints were disposed of as follows:

No cause of reported discrepancy found	16
Settlement effected	24
Not yet disposed of	4

TOTAL 44

Mr. THOMAS: Mr. Chairman, I think this may be the place to bring up a question that I have in mind.

The Ontario wheat producers' marketing board have experienced considerable difficulty since they were organized three or four years ago in obtaining the necessary storage space during the Ontario harvesting season. Due to the softer type of wheat grown in Ontario and the higher altitude here than obtains in the west, also the fact that there is more moisture in the climate, and the hotter weather, some of this Ontario wheat needs to be placed where there are drying facilities immediately, and the Ontario wheat producers' marketing board tried to uphold the market by levying 9 cents a bushel on every bushel delivered, and using that as a fund to get this wheat into export channels so that the local market will not become glutted during harvesting time. They have found, over the years, when they tried to get this wheat into the terminal elevators, almost invariably the terminal elevators are filled with western wheat board wheat, being held for shipment. This has posed quite a problem for the Ontario wheat producers' marketing board. I know some work has been done in this connection, but I would like to pose this question: Does Mr. McConnell know whether any definite steps have been taken to remedy this situation?

Mr. McCONNELL: I realize your problem, Mr. Thomas, but it is the wheat board that moves the grain down and uses up the space. That is no concern of ours. But, to offset that, I explained a moment ago that under the terms of the licence we relieve eastern elevators of the obligation to unload western grain—to the extent in the harbour board alone, of 4 million bushels of the total 16 million. So, if they are not willing to save that space to have your grain come in and be treated, we cannot do very much about it. However, we do provide the space to do it, under the terms of the licence. In November, I think we ran up as high as 42 million bushels of space which eastern elevators could do what they liked with, whether it is domestic grain or your milling wheat. They do not have to unload boats and use up that space on western grain, because we relieve them to do so under the licence. We cannot do any more. We cannot tell them how to run their operation.

Mr. THOMAS: Well, Mr. Chairman, might we have just a little clarification of this licensing system which prevents, ordinarily, the eastern elevators from accepting this grain?

Mr. McCONNELL: There is not any prevention in the terms of the licensing to prevent it. Under the terms of the licence we relieve them of the obligation to take any western grain in order that they have space to take in your grain.

Mr. THOMAS: Does this apply over a certain period of the year?

Mr. McCONNELL: It applies in four different months. I have a list here of the exemptions, and I would ask Mr. McLeod to speak on that.

Mr. McLEOD: During the months, Mr. Chairman, from August, September, October and November 1st to 14th, the national harbours board has 4 million exemption; over the balance of that month there is 6 million exemption, and during the winter months there is no exemption. But then, on the opening of navigation, 4 million. Other eastern elevators have similar relief.

Mr. McCONNELL: What one would be closest to you that might help to take in your grain?

Mr. THOMAS: They extend all over the Great Lakes system, from Montreal down to Sarnia, and north to Goderich.

Mr. McLEOD: The Sarnia elevator has 1½ million relief the year round.

Mr. McCONNELL: But they do not have to take in western grain.

Mr. THOMAS: I understand the difficulty, as far as these elevators are concerned, is that they operate on a first come, first serve basis. If a boatload of wheat shows up at a Sarnia elevator, they must accept that wheat; they cannot turn it down if they have space.

Mr. McCONNELL: Not with the space they have except under the terms of their licence.

Mr. THOMAS: During that period.

Mr. McCONNELL: Yes.

Mr. DANFORTH: I have a supplementary question. If I understood the witness correctly, he said under the licence they are exempt, but under the jurisdiction, as owners, they can continue to accept western grain.

Mr. McCONNELL: They can do as they like with that space.

Mr. DANFORTH: In other words, then, as far as we in Ontario are concerned, the board makes that space available, but if it is not available, it is due to the operation of the management themselves.

Mr. McCONNELL: That is right.

Mr. DANFORTH: Now, is it possible for them, under these conditions, to utilize that space for the importation of American grain?

Mr. McCONNELL: Read section 134, please.

Mr. McLEOD:

Subject to this section, the operator of every licensed public or semi-public terminal elevator and, unless otherwise provided by the terms of his licence, the operator of every eastern elevator, shall, without discrimination and in the order in which the same arrives at such elevator and is offered, receive into such elevator all grain of any grade for which there is available storage of the kind required by the person by whom such grain is offered.

They must accept the grain, sir, if it is offered, if there is storage for it and in a storable condition.

Mr. DANFORTH: That seems to be a contrary statement to the one before. You said they are exempted from that, and then in this case they must accept it, if it is made available.

Mr. McLEOD: Unless otherwise provided by the terms in his licence.

Mr. DANFORTH: He must at all times accept it? Under the terms of this licence he is exempted to the extent—

Mr. McCONNELL: —of that space.

Mr. DANFORTH: And he has complete jurisdiction over that.

Mr. McCONNELL: Yes.

Mr. THOMAS: I understand the board of grain commissioners operate the government terminals in the west?

Mr. McCONNELL: Yes.

Mr. THOMAS: Are any of these eastern terminals operated by the board?

Mr. McCONNELL: No. There are just six government elevators, sir: Prince Rupert, Edmonton, Calgary, Moose Jaw, Saskatoon and Lethbridge.

Mr. THOMAS: You said that the board of grain commissioners have no jurisdiction over the elevators on the St. Lawrence and the Great Lakes, except that you do control the regulations concerning them?

Mr. McCONNELL: For inspection and weighing, yes.

Mr. THOMAS: So you have done all that you can do—

Mr. McCONNELL: Yes.

Mr. THOMAS: —to make this storage space available?

Mr. McCONNELL: To provide the space for you people. That is the way we interpret the act—to provide this space when you people are harvesting your grain, and this is how we implement it.

Mr. MANDZIUK: While we are on that point, may I ask if Ontario wheat is exported?

Mr. McCONNELL: A small amount is. It is mostly for domestic and the pastry industry. But, there is some exported.

Mr. DANFORTH: When available.

The CHAIRMAN: We will proceed to the next paragraph.

Complaints on export shipments

A total of 65 complaints relating to shipments to overseas destinations were dealt with by the board and its officials during 1960. Of this number, 25 concerned outturn weights reported from overseas, and 40 referred to some aspect of the quality of grain cargoes.

Disposition was as follows:

	Quality	Weight
No cause of reported discrepancy found	—	21
No grounds for complaint	39	—
Settlement effected	—	1
Complaint withdrawn	—	1
Not yet disposed of	1	2
	—	—
TOTALS	40	25

Mr. McCONNELL: I should like to add, we had a few more overseas complaints last year, mainly because of the harvest of the 1959-60 crop. We dried 73 million bushels but a lot of the grain was off colour. There were some shrunken kernels in it, and as a result we had a few complaints about it. They did not like the look of it. It is the same as happens when you go into a store. If you pick up an article and do not like its appearance you will not buy it.

Mr. ROGERS: Tell Mr. Horner that.

Mr. HORNER (*Acadia*): On this point, was there a complaint with regard to the cleanliness of the ships in which the grain was loaded on the west coast?

Mr. McCONNELL: In one case it was a tanker and also I think it took too long to load, but that was the only complaint we had of that nature.

Mr. HORNER (*Acadia*): Is it the duty of the board of grain commissioners to inspect the ships?

Mr. MACLEOD: Our man goes on board the ships, but it is the duty of the port warden to ensure a ship is clean and ready to receive grain.

Mr. FORBES: To whom does he report?

Mr. MACLEOD: To the Department of Transport. This is an operation under the Canada Shipping Act.

Mr. HORNER (*Acadia*): On the question of loading—

Mr. McCONNELL: Evacuators?

Mr. HORNER (*Acadia*): Yes. Do they come under this paragraph? Were they purchased by Canadian or Norwegian shipping vessels?

Mr. McCONNELL: You can understand the tankers are pretty cheap storage, and naturally I think the charter is a cheaper rate than the ordinary grain boat. You will also realize that on tankers there are only about two or four places, about two feet across, through which they load the oil, and so they have to use another type of loading machinery, which is automatic suction equipment. I imagine it was the Norwegian people, or the Chinese sources to which the grain was going that had to have these evacuators.

Whether it was the owners of the ships, because the charter was at a cheaper rate, I could not tell you, but they cost \$120,000.

Mr. FORBES: Each?

Mr. McCONNELL: No, the total. It cost \$120,000 for ten of them.

Mr. HORNER (*Acadia*): Are these similar to vacuum pumps which some of the elevator companies and annexes use in western Canada?

The CHAIRMAN: We shall go on to the next paragraph.

Mr. MACLEOD:

Statistics

Statistics relating to Canadian grain movement collected and compiled by the board's statistics branch are presented in appendix C of this report.

Information Program

The board's mobile exhibit was placed on display at 12 agricultural fairs in Manitoba and Saskatchewan during 1960. The exhibit featured samples of various types and qualities of grain, with special emphasis on malting barley, and included a working model of an automatic sampler, a device used at terminal elevators to take samples from a moving stream of grain. Two of the board's grain inspectors were in charge of the exhibit and discussed grain grading and other matters coming under the board's jurisdiction, with farmers, elevator agents and superintendents and other interested visitors. A special exhibit was prepared for display at a seed show at Moose Jaw during the month of October.

The board's offices were visited by a number of officials of the foreign trade service of the Department of Trade and Commerce, and by other individuals and groups from overseas who wished to discuss matters related to the grain trade and obtain first-hand information about the functions and services of the board. Other visitors during the year included groups of country elevator agents and agriculture students.

In addition to discussions with members and officials of the board, arrangements were made for visitors to tour the inspection branch, the research laboratory and other branches as desired; also to view the colour motion picture film "Grain Handling in Canada".

Members of the board and senior officials again accepted a number of invitations to address annual meetings of producer organizations and to discuss topics of current interest related to the board's work.

Mr. MUIR (*Lisgar*): Was that exhibit shown at all classes of fairs?

Mr. McCONNELL: No, there is only a limited number of fairs at which it is shown. It is already on the road now. I think it is B class fairs, some years in Saskatchewan, some years in Alberta, and this year partly in Manitoba but mostly in Saskatchewan.

Mr. MUIR (*Lisgar*): You would not know which fairs in Manitoba?

Mr. McCONNELL: If we have not got a list we shall send it to you.

Mr. ROGERS: What about Alberta?

Mr. McCONNELL: I think Alberta had it the year before last.

Mr. GRAY: It will go to some places there this year.

Mr. PASCOE: Is that film available to show publicly?

Mr. McCONNELL: We intended to bring it here, but whatever happened it did not arrive. We shall have it here sometime to show to you.

Mr. FORBES: We might be gone.

The CHAIRMAN: We shall go on to the next paragraph.

Mr. MacLEOD:

Canadian Government Elevators

Receipts of grain during the crop year 1959-60 at the Canadian Government Terminal Elevators operated by the Board at Moose Jaw, Saskatoon, Calgary, Edmonton, Lethbridge and Prince Rupert, were 17.4 million bushels, compared with 18.9 millions in the previous crop year. Total shipments were 18.1 millions, an increase of 1.4 millions from the corresponding figure for 1958-59.

In the fiscal year 1959-60, revenues exceeded expenditures by the amount of \$403,979.

Mr. PASCOE: Shall we deal with appendix G now in relation to the elevators?

Mr. MANDZIUK: Does that mean there was just one turnover in these government terminal elevators?

Mr. McCONNELL: We only get grain when the wheat board uses our elevators, and to encourage them we reduced our charges from 2 $\frac{3}{4}$ cents to 1 $\frac{1}{4}$ cents. We operate on 1/45, and in government elevators there is stop-over charge of 3 cents a hundred, and there is an additional charge to the wheat board when they want to remove the grain. As a rule, this is an inducement for the wheat board to use our elevators. If we charged interest and depreciation as a company operating these elevators we could not do this. We pay grants in lieu of taxes but, in the overall operation of the six elevators, Lethbridge has not paid for years because there is no turnover there, so that Moose Jaw, Saskatoon and Prince Rupert have carried the load.

Mr. PASCOE: Appendix G is on page 64. Shall we carry it now or later?

The CHAIRMAN: I think we shall take the appendix later. We shall go on to the next paragraph.

Mr. MacLEOD:

Lake Freight Rates

On March 10, 1959, under the provisions of section 5 of the Inland Water Freight Rates Act, the board issued Order No. 21 which revoked Order No. 20 of September 28, 1954. This had the effect of cancelling maximum freight rates established by the board in Order No. 20 for the carriage of grain from Fort William or Port Arthur to other specified ports in eastern Canada.

The average rates charged during the 1960 season of navigation are given in table C-11 of appendix C.

Mr. HORNER (*Acadia*): You are talking here about their being revoked.

Mr. McCONNELL: Under the Inland Water Freight Rates Act it is the responsibility of the board of grain commissioners to set the maximum rates, but with the opening of the seaway, when the maximum rate was 16 cents to Montreal from the Lakehead, we hoped that competition with the seaway would bring about a lower rate, which it did. Last year I would say, Mr. Baxter, that most of the grain moved at 13 cents, with the odd cargo at 14 cents. It has the desired effect but we still have the authority to set a maximum rate, should they start to put up their rates.

Mr. HORNER (*Acadia*): This was on the lakes. I am thinking of the 5 $\frac{3}{4}$ and $\frac{3}{8}$ cents supposed to be saved by the seaway. You would have to include most of the grain diverted from the railroads to the seaway in order to make that 5 $\frac{3}{8}$.

Mr. McCONNELL: That would be a question for the wheat board. They estimated there would be a 5 $\frac{3}{4}$ saving at five or six designated points. The grain was moved by lakers but still they had to transfer to canallers because of the depth of the water from there down to Montreal.

So there was a transfer charge. Now they have a total charge to pay instead of the transfer, so operating at the 13 cents instead of 16 cents they should still have a saving. The laker boats are getting larger all the time, so even at a lesser rate if they can get a fairly quick turn-around or unload they are still making good money at the 13 cents freight rate. I would not say the western farmer will not pick up 5 $\frac{3}{8}$ cents because, remember, there is only half the wheat export from Canada which goes out the Atlantic side; the other half goes from the Pacific, and 20 million goes out of Churchill, so the saving is on the portion at this end. It might mean a cent and a half to the farmer.

Mr. HORNER (*Acadia*): But it has not meant five cents.

You talk here about a cancelling; was this an increase or lowering in the rates or were these rates that were cancelled because of the seaway?

Mr. McCONNELL: We cancelled the maximum rate of 16 cents, and competition determined it would be 13.

Mr. MACLEOD:

Prairie Farm Assistance Act

Under provisions of Section 11 of the Prairie Farm Assistance Act the Board continued to collect the one per cent levy on grain purchased by licensees under the Canada Grain Act. During the crop year 1959-1960 the amount collected was \$6,326,924.00, a decrease of \$347,074.00 from collections recorded for the previous crop year. Collections by the Board since the inception of the Act to July 31, 1960, total \$120,312,114.00.

Mr. HORNER (*Acadia*): Would you have any ideas as to how much was collected because of the rate from rapeseed?

Mr. McCONNELL: The first one was \$37,000.

Mr. HORNER (*Acadia*): Would that be for the full year?

Mr. McCONNELL: The first year that rapeseed was recognized as grain.

Mr. SOUTHAM: Was there much of a reduction in the amount collected because of the Manitoba crop insurance plan?

Mr. McCONNELL: Mr. Baxter will answer your question because it has a bearing on the amount we will be showing.

Mr. BAXTER: In answer to that question, from August 1, 1960, which was the initiation of the Manitoba crop insurance scheme, to April 30, our figures show approximately \$46,000, which represents the levy which would have been collected, but was otherwise exempted by that provision in the province of Manitoba.

Mr. MACLEOD:

Organization and Personnel

Two of the Board's Assistant Commissioners retired during 1960—Mr. M. M. MacKinnon, after serving in Alberta since 1947; and Mr. J. I. Hetland, after five years' service in Saskatchewan.

Mr. A. Rendfleisch and Mr. C. J. Hunt were appointed to fill the resulting vacancies, with offices at Edmonton and Regina respectively.

There were several changes in senior personnel of the Inspection Branch. Mr. C. E. S. Robertson, Grain Inspector-in-charge at Vancouver since 1949, retired after forty years of service with the Board. Mr. H. McArthur was promoted to succeed Mr. Robertson.

Mr. J. H. McLean was transferred from Calgary to Vancouver and was succeeded as Inspector-in-charge at Calgary by Mr. A. J. Goddard.

After a total of forty-eight years of service, including eleven years as Inspector-in-charge at Montreal, Mr. P. J. Smith retired and his place was taken by Mr. M. M. Ainslie, formerly on the staff of the Fort William Inspection Office.

As a further step in a program of re-organization, the Registration Branch became a division of the Statistics Branch.

At December 31, 1960, the Board's staff totalled 910 as compared with 912 at the end of the previous year. The staff of the Canadian Government Elevators numbered 203, indicating a reduction of 31 during the year.

A chart of the Board's organization, including further details of staff location, follows this report.

I might mention Mr. C. J. Hunt passed away recently.

The CHAIRMAN: Any questions on this section?

Expenditure and Revenue

Total expenditure and accrued revenue of the Board, exclusive of the Canadian Government Elevators, for the fiscal year 1959-60 compared with 1958-59 was as follows:

	1959-60	1958-59
Expenditure	\$4,402,576.57	\$4,471,770.15
Revenue	2,604,923.85	2,793,669.51

Expenditure for the nine months of the 1960-61 fiscal year to December 31, 1960, totalled \$3,151,475 as against \$2,992,012 for the comparable period during 1959-60.

Cash revenue for the same nine-month period amounted to \$1,947,624 as compared with \$1,999,170 in the previous year.

Mr. FORBES: Can you tell us a little about sources of revenue?

Mr. McCONNELL: Yes. On page 71 you will see them mentioned. We have not got too many sources of revenue. As businessmen we would all like to be in the black figure, but that just is not possible. It has always been accepted that the board of grain commissioners provides a service such that it is possibly not too important that the figures should balance. On page 71 you will notice that most of our revenue comes from inspection at the rate of \$2 per car for inspection, and the next item shows there is an amount of \$1 per car from weighing. Those are the two largest sources of our income. There are small amounts there, overtime refunded and express charges. In regard to samples sold, once or twice a year I think the inspection branch at various places call for tenders and sell the grain that is in samples. It is contaminated with mothballs and so on.

Mr. PASCOE: How much would that be, containing mothballs?

Mr. FRASER: In Winnipeg, 60,000 two-pound samples.

Mr. PASCOE: Who would by that?

Mr. McCONNELL: It is used for hog fattening—and you buy some of that to feed turkeys, back at Dauphin.

Mr. PASCOE: I was wondering what was wrong with it.

Mr. McCONNELL: You will note that the other departments of the board of grain commissioners do not provide a great deal of the revenue—appeal tribunals, \$4,000; registration, \$46,000; statistics \$29,000. Our research laboratory cost quite a bit, but there is no revenue. So if you look at the two figures we are “in the hole” about \$2 million.

There would be only one alternative, to try and build up a fund. I think we brought this up to the committee every year. That would mean raising the weighing and inspection fees. If you did that, if you raised inspection by \$1 and the weighing by 50 cents, it would give you roughly \$1,237,000. But this is the way we have always looked at it, and I have explained it here before. At the present time it is governmental policy that the western farmer, and the eastern farmer to some extent also, requires subsidies. The western farmer presently is being helped to the extent of about \$49 million in storage earnings and \$42 million in acreage bonuses. What would be the sense of our raising the fees on grain if you give with one hand and take away with the other hand? Therefore, we have no recommendation, sir. We would like to have balanced figures, but we have not got them for that reason.

There is another thing. Regardless of the size of the crop grown and produced, that is not indicative of the revenue the board can earn. It is the amount of grain that moves through the licensed channels that determines the amount of our revenue.

Mr. ROGERS: It should look a little better this year.

Mr. McCONNELL: Sure, the more volume the more revenue.

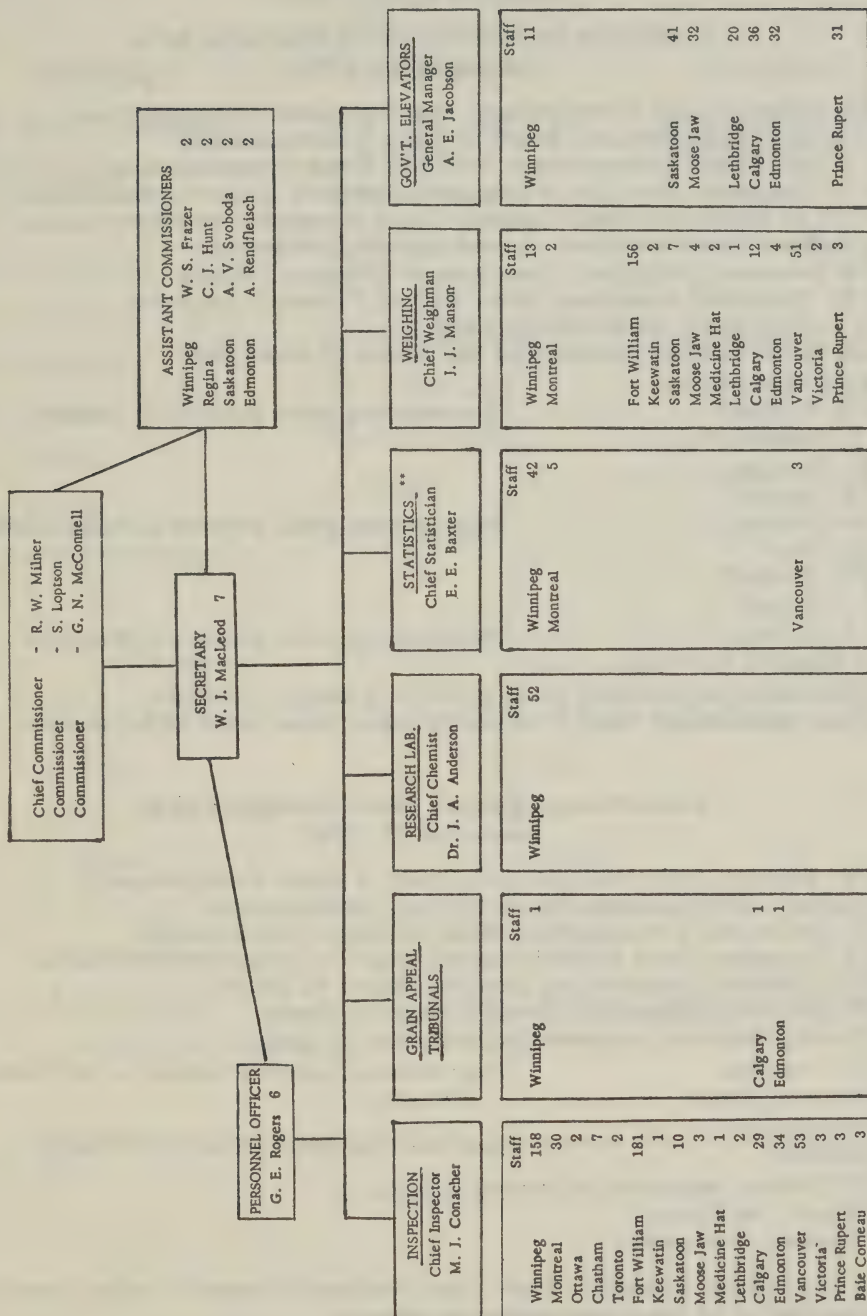
Mr. HORNER* (*Acadia*): If you included the “other revenue” in your expenses, would it not improve that also?

Mr. McCONNELL: Yes. I did not make a point of that, because I know that wages were required to be increased in the last five years. Our salaries bill has gone up in a steep increase by \$1,700,000, over which we have no control at all. If you take that out of it, we would not be far off it.

Mr. ROGERS: Mr. Chairman, I think they are doing a very good job.

The CHAIRMAN: We now turn to Appendix A, page 19.

BOARD OF GRAIN COMMISSIONERS
FOR CANADA



** INCLUDES LICENSING AND REGISTRATION OFFICES.

APPENDIX A

Committee on Western Grain Standards as at December 31, 1960

- R. W. Milner, Chief Commissioner, Board of Grain Commissioners.
- S. Loptson, Commissioner, Board of Grain Commissioners.
- G. N. McConnell, Commissioner, Board of Grain Commissioners.
- M. J. Conacher, Chief Grain Inspector, Board of Grain Commissioners.
- Dr. J. A. Anderson, Chief Chemist, Grain Research Laboratory.
- D. E. Ross, Chairman, Grain Appeal Tribunal, Winnipeg.
- R. E. Forrester, Chairman, Grain Appeal Tribunal, Calgary.
- A. M. Creighton, Chairman, Grain Appeal Tribunal, Edmonton.
- Dr. A. E. Hannah, Dominion Cerealists.
- L. A. McCorquodale, representing the millers of wheat flour.
- George Bennett }
- W. H. Fairfield } Representing grain growers in Alberta.
- B. S. Plumer }
- J. H. Harrison }
- A. P. Gleave }
- J. Wellbelove } Representing grain growers in Saskatchewan.
- L. L. Gray }
- N. W. Strelloff }
- W. J. Parker }
- P. A. McPhail } Representing grain growers in Manitoba.
- Ray Mitchell }
- G. Constable, representing grain growers in British Columbia.
- L. Bell, representing Plant Products Division, Department of Agriculture.

Committee on Eastern Grain Standards as at December 31, 1960

- R. W. Milner, Chief Commissioner, Board of Grain Commissioners.
- S. Loptson, Commissioner, Board of Grain Commissioners.
- G. N. McConnell, Commissioner, Board of Grain Commissioners.
- M. J. Conacher, Chief Grain Inspector, Board of Grain Commissioners.
- W. G. Thomson, representing Montreal Board of Trade.
- E. D. Sullivan, representing Toronto Board of Trade.
- C. Gordon McAuley, representing exporters of grain.
- F. H. Dunsford }
- H. Norman Davis } Representing millers of wheat in the Eastern Division.
- J. R. Heaney }
- A. McLean } Representing grain growers in Ontario.
- G. C. Nichols, representing growers of corn.
- P. Blouin, Additional.
- A. Bowman, Additional.

Mr. HORNER (*Acadia*): Have there been any changes? I notice there is a representative of the grain growers in Alberta.

Mr. MACLEOD: We had a death in Alberta. It was Dr. Fairfield; and oh yes, Erie Powell of the Peace River indicated that he would like to be retired.

The appendices continue:

APPENDIX B

Grain Appeal Tribunals

Winnipeg	Calgary	Edmonton
D. E. Ross (Chairman)	R. E. Forrester (Chairman)	A. M. Creighton (Chairman)
J. E. G. Hasell	G. R. Deeton	H. A. Haggarty
J. F. Lazenby	B. T. Jenkins	D. G. MacKeracher
Wm. E. McLeod	W. F. Fennell	C. E. Sage
G. I. Rocan	A. E. Longhurst	J. F. Schofield
E. A. Sangster	W. G. McLeod	T. Stickney
R. C. Sproule	W. M. Pringle	N. Topolnitsky
V. J. Stubbs	J. Tranter	M. G. Wood
G. A. Turner	J. D. Toomer	C. C. Young
N. Kawka (Secretary)		

Toronto	Montreal
C. H. Coatsworth	M. M. Ainslie, (Chairman)
J. Elder	P. Blouin
C. W. Heimbecker	S. Brooks
J. Jervis	J. A. Byrne
R. C. Pratt	E. B. Paterson
E. D. Sullivan	R. Strauss
A. L. Walker	Mrs. Muriel B. Hunter (Secretary)
D. C. Kay, Jr. (Secretary)	

For information on Appeals of Carlot Inspections refer to Appendix D, Table D-6.

APPENDIX C

Statistics Branch

E. E. BAXTER, *Chief Statistician*

(A) STATISTICS

The Statistics Branch receives reports from all elevators licensed under the Canada Grain Act and from these returns compiles and publishes basic statistics relating to the storage and handling of grain within the Canadian elevator system. It prepares audit statements of the operations of all terminal and eastern elevators, verifies the insurance carried on grain stocks and handles the record details relating to the amounts collected as the 1% levy under the Prairie Farm Assistance Act. It supplies for review by the Board a detailed analysis of all grain handlings and co-operates with other Board offices in the maintenance of detailed records of principal operations.

(B) LICENSING

The Canada Grain Act provides that no railway company or vessel shall receive any western grain from any elevator or discharge any such grain into any elevator unless such elevator is licensed by the Board. The Act also specifies the conditions by which grain dealers, track buyers or grain commission merchants must be licensed in order to engage in contracts dealing with western grain by grade name. Such elevator and dealers' licences are issued by the Board through the licensing division of the Statistics Branch. This office also supervises the implementation of Section 79-3 by which all such licensees must be secured by bond or otherwise for the performance of all obligations imposed upon them by the Act.

(C) REGISTRATION

Section 127 of the Canada Grain Act requires the operators or managers of public terminal, semi-public terminal and eastern elevators to issue warehouse receipts or transfer receipts for all grain taken into store. Regulations No. 1 and No. 2, made by the Board under the provisions of Section 15 (22) of the Canada Grain Act, require that all such warehouse receipts or transfer receipts be registered with the Board as to grade and quantity at the time of issue, and that these warehouse receipts or transfer receipts be surrendered to the Board for registration for cancellation when the grain which they represent has been shipped out.

Introductory Comment

The office consolidation program initiated during the previous year was further developed during the 1959-60 season. Preliminary arrangements were completed towards the inclusion of Registration Branch operations effective August 1, 1960. The adaption of registration records to machine accounting techniques presents special opportunities for greater integration of office operations both within the Board and between the Board, the grain companies and the Canadian Wheat Board. This latter development will be progressive over future years but could not be initiated until this step was effected. New techniques were developed and applied to the licence issue and records, further facilitating the work of both this office and the grain companies. Included were new procedures whereby the principal public record, "Grain Elevators in Canada" was available for release shortly after the opening of

the new crop year, a publishing schedule not possible under former methods, but of considerable value to grain and transportation companies.

The introduction of a provincial crop insurance scheme in Manitoba effective with the 1960 crop necessitated certain adjustments in the records and reports covering the collection by licensees of the 1% Prairie Farm Assistance Act levy. This office worked in close co-operation with the Provincial authorities and grain company representatives towards an interim procedure for the 1960-61 season. Further discussions are scheduled regarding the development of a working system to apply as the Crop Insurance Programs are extended.

(A) Statistics

The growing use of grain statistics in the daily operation of grain companies, transportation firms and government agencies continued to be reflected in an increasing demand for both regular bulletins and special studies. The flexibility of our statistical records achieved through electronic data processing greatly facilitated the work. Of special note were the additional and earlier bulletins on the licensing position. Special studies on the terminal handlings of particular grades were of significant value to the Inspection Branch in its development of new procedures. Other studies related to terminal operations and lake shipping were carried out for the use of the Weighing Branch. The office continued to perform service operations through its machine installation for the Research Laboratory, the Personnel Division and the Accounts Branch. Close liaison was maintained with related departments of the Canadian Wheat Board and all statistical records were available for their use to avoid duplication of statistical work between the two organizations.

The office continued its collaboration with the Agriculture Division of the Dominion Bureau of Statistics in the supply of grain statistics for its related publications. Historical records were also made available to the Royal Commission on Transportation. Co-operative exchange of statistics was maintained with corresponding units of the United States Department of Agriculture, the Food and Agriculture Organization in Rome and the Commonwealth Economic Committee in London.

The responsibility of the office under provisions of the Inland Water Freight Rates Act was again of particular significance as vessel charter confirmations covering all lake grain cargoes shipped from Fort William-Port Arthur were examined and data tabulated to keep the Board advised on lake shipping charges. Charter confirmations were recorded covering 902 separate inland cargoes moving between the Canadian Lakehead and Eastern Canadian ports in vessels of Canadian and Commonwealth registry between the period April 10 to December 13.

A special review involving the refinement of policy wordings was made with respect to country elevator fire policies on grain stocks. The responsibility of the Branch under Section 102 of the Canada Grain Act was carefully discharged both in the above and in the regular examination of insurance reports and documents related to insurance coverage in country, terminal and eastern licensed storage positions.

Audit examination was conducted in connection with the weighover of 2,101 country elevators, 21 semi-public terminal elevators, 4 private terminal and 20 eastern elevators. Special statistical studies were prepared to supplement the regular audits and to further facilitate Board analysis of the accounting statements. Details of the accounting statements prepared in accordance with Sections 139 and 140 of the Canada Grain Act are summarized in Tables C-12 to C-14 inclusive, of this Appendix.

The collection of the 1% levy made under provisions of Section 11 of the Prairie Farm Assistance Act and under authority delegated to this office involved 1959-60 returns totalling \$6,326,924.00, a reduction of \$347,074.00 from levy remittances during 1958-59. The decline reflected the lighter marketing volume and a different grain and grade composition.

(B) Licensing

During the initial licensing period of the crop year 1959-60 from August 1 to December 1, 1959, 5,469 licences were issued to 97 firms and individuals. Included in these were 47 licences granted to Track Buyers, Commission Merchants and Grain Dealers. In addition, country elevator licensees were authorized to use 169 off-site grain storage buildings of various types.

In the course of the crop year twenty-one licences were cancelled, by reason that two elevators were destroyed by fire; sixteen were wrecked or dismantled; two were converted to annexes, and one application was withdrawn. Fifty-seven authorizations for grain storage buildings involving 4.2 million bushels of space were also cancelled during the crop year as the stored grain was moved to terminal positions.

Nineteen country elevator licences were suspended during renovation and reconstruction of buildings. Sixteen of these were reinstated; one was cancelled, and two, still under suspension at the end of the crop year, were not submitted for renewal at the beginning of August, 1960.

Guarantee bonds in the amount of \$30,641,275.00 executed by 13 approved surety companies were deposited with the Board as security under Section 79 of the Canada Grain Act to cover operations of licensees during 1959-60. No negotiable Government bonds were deposited in lieu of the usual form of surety bond.

As at July 31, 1960, with 5,413 elevator licences and 147 grain storage building authorities in force, the licensed storage capacity was 631,884,110 bushels in elevators and 7,170,500 bushels in grain storage buildings, a decrease in the total licensed storage capacity of 2,891,640 bushels since July 31, 1959. The total licensed storage capacities by provinces are: Manitoba, 59.1; Saskatchewan, 208.3; Alberta, 137.2; British Columbia, 28.0; Ontario, 154.1; Quebec, 45.2, and the Maritimes, 7.2 million bushels.

The major changes in the composition of this storage were reductions of 16.1 million bushels in country elevator storage and 4.2 millions in grain storage building capacity, and the increase of 17.4 millions in terminal and eastern elevator facilities including the construction of a complete new elevator at Baie Comeau.

(C) Registration

Due, primarily, to the very large quantities of damp and tough grain that were received by semi-public terminal elevators to allow for artificial drying of the grain to prevent spoilage, the offices in the Western Division experienced one of the most difficult operational years in the history of the Branch. The total number of warehouse receipts submitted for registration was considerably in excess of that of other years, particularly in the case of the Lakehead group of elevators, as a separate warehouse receipt was required to be registered for each carlot of damp or tough grain received.

Calculation of the drying shrinkage was also required to be made for each carlot as it was dried and a new warehouse receipt registered for the dried weight. The total number of warehouse receipts handled through these offices exceeded that of 1951-52, the previous record crop year but, due to experience gained in that year, plus improved operational procedures, service was maintained at proper levels without increase in staff.

Records were kept for each licensee in both the Eastern and Western Divisions, by grade, showing the total quantities registered, cancelled and outstanding each day with a breakdown of this data to provide total receipts, shipments, natural and artificial drying and grade adjustments for the crop year. A separate series of records also maintained for each licensee provided a complete registration and cancellation record of all warehouse receipts or transfer receipts that were issued. Grade adjustments, as reported daily by the licensees of semi-public terminal elevators, were carefully scrutinized to see that they conformed to the non-mixing provisions of the Canada Grain Act. Certified statements of outstanding warehouse receipt and transfer receipt grade totals together with the total handlings of the non-mixing grades of wheat and other relevant information, were supplied as required for use in summarizing the results of the annual weighover of stocks of grain as carried out by Board officials at terminal and Eastern elevators.

Registration service was also provided to licensees of elevators in the Western Division for warehouse receipts that were required to be split, consolidated, re-issued or adjusted for grade to facilitate documentation in connection with the handling of the grain.

While the total number of warehouse receipts submitted for registration during the year increased materially, the total handlings of primary receipts and shipments at these elevators, for the crop year 1959-60, shows a decline when compared to the ten-year average at all points except Vancouver.

Fees for registration service were charged at the rate of 4 cents a thousand bushels for registration and for registration for cancellation in the Western Division, and one cent a thousand bushels for registration and for registration for cancellation in the Eastern Division. The overall decrease in handlings of primary receipts and shipments is reflected in the total fees collected for the period under review of \$44,942.56 as compared to the ten-year average of \$49,533.05.

General

Summary grain statistics with respect to the 1959-60 crop year and the 1960 season of navigation are presented in table form following this section. Complete details are published in the various regular and periodical bulletins of the Branch, in the Branch's export release, "Canadian Grain Exports 1959-60", and in the "Grain Trade of Canada" issued jointly by this office and the Agriculture Division of the Dominion Bureau of Statistics. Details of licences issued under the Canada Grain Act are carried in the publication "Grain Elevators in Canada". Table C-19 of this Appendix presents the total bushels, by grains, for which warehouse receipts or transfer receipts were registered and/or registered for cancellation at offices of the Board maintained for this purpose at Montreal, Winnipeg and Vancouver.

Table C-1.—Supply and Disposition of Canadian Grain, Crop Year 1959-60

	Wheat	Oats	Barley	Rye	Flaxseed
	bu.	bu.	bu.	bu.	bu.
SUPPLY					
Carry-over July 31st, 1959.....	549,001,464	118,978,700	128,153,215	7,919,805	6,523,126
Production in 1959.....	413,520,000	417,933,000	225,550,000	8,149,000	17,719,000
Total Supply	962,521,464	536,911,700	353,703,215	16,068,805	24,242,126
DISPOSITION					
Exported Overseas.....	270,044,404	4,520,484	44,166,719	451,913	12,494,273
Exported to U.S.A.....	2,087,750	1,103,771	13,525,895	4,062,776	—
Consumed in Canada.....	152,801,174	438,459,953	174,540,951	4,800,725	6,873,461
Total Disposition	424,933,328	444,084,208	232,233,565	9,315,414	19,367,734
CARRY-OVER (July 31st, 1960)					
On Farms (Estimated).....	81,700,000	72,000,000	63,000,000	3,800,000	810,000
In Country, Private Terminal and Mill Elevators.....	268,279,153	15,938,212	44,773,532	1,894,554	1,221,530
In Semi-Public Terminal Elevators.....	84,020,771	1,436,889	8,698,409	525,254	1,575,240
In Store at and Afloat to Eastern Elevators.....	80,369,247	2,056,575	2,434,639	141,679	904,321
In Eastern Flour Mills.....	2,485,085	195,067	25,095	—	—
In Transit by Rail—Eastern and Western Divisions.....	20,733,880	1,200,749	2,537,975	220,153	363,301
In Store and in Transit to the United States.....	—	—	—	171,751	—
Total in Store July 31st, 1960	537,588,136	92,827,492	121,469,650	6,753,391	4,874,392

Table C-2.—Production and Producers' Marketings in Western Canada,
by Provinces, Crop Year 1959-60

	Wheat	Oats	Barley	Rye	Flaxseed
	bu.	bu.	bu.	bu.	bu.
PRODUCTION (DBS Estimate)					
Manitoba.....	60,000,000	61,000,000	35,000,000	1,660,000	4,600,000
Saskatchewan.....	232,000,000	94,000,000	74,000,000	3,000,000	6,300,000
Alberta and British Columbia.....	108,165,000	112,400,000	111,636,000	1,741,000	6,711,000
Totals.....	400,165,000	267,400,000	220,636,000	6,401,000	17,611,000
PRODUCERS' MARKETINGS					
(a) At Country Elevators					
Manitoba.....	48,155,509	7,212,110	17,752,572	1,075,888	3,246,308
Saskatchewan.....	235,215,202	8,035,333	35,396,702	2,219,567	5,094,395
Alberta.....	91,696,686	8,533,026	42,052,641	982,029	5,223,983
Totals.....	375,067,397	23,780,469	95,201,915	4,277,484	13,564,686
(b) At Interior Semi-Public Terminals					
Manitoba.....	53,411	16,875	14,845	—	—
Saskatchewan.....	117,351	23,168	31,558	—	744
Totals.....	170,762	40,043	46,403	—	744
(c) At Interior Private and Mill Elevators					
Manitoba.....	207,911	42,895	85,381	—	92,997
Saskatchewan.....	1,839,458	113,270	73,135	224	116,933
Alberta.....	1,187,983	347,822	110,594	10,122	167,184
Totals.....	3,235,352	503,987	269,110	10,346	377,114
(d) Loaded over Platforms					
Manitoba.....	3,565	13,982	2,516	1,607	2,726
Saskatchewan.....	30,436	—	1,876	1,684	1,373
Alberta.....	6,443	—	69,001	—	13,985
Totals.....	40,444	13,982	73,393	3,291	18,084
Total Producers' Marketings					
Manitoba.....	48,420,396	7,285,862	17,855,314	1,077,495	3,342,031
Saskatchewan.....	237,085,096	8,148,603	35,471,713	2,221,475	5,212,701
Alberta.....	93,008,463	8,904,016	42,263,794	992,151	5,405,896
Totals.....	378,513,955	24,338,481	95,590,821	4,291,121	13,960,628

Table C-3.—Receipts and Shipments of Canadian Grain at Terminal Elevators, Crop Year 1959-60

	Wheat	Oats	Barley	Rye	Flaxseed
	bu.	bu.	bu.	bu.	bu.
Fort William-Port Arthur—					
Receipts.....	201,982,753	26,306,137	59,534,766	3,901,524	7,988,815
Shipments.....	188,384,940	31,157,056	64,183,759	4,111,394	7,490,501
Vancouver-New Westminster—					
Receipts.....	92,045,092	2,681,272	23,237,523	369,366	5,986,018
Shipments.....	92,865,941	3,421,147	23,255,372	326,984	6,296,049
Victoria—					
Receipts.....	3,042,523	554	207	283	422,474
Shipments.....	2,859,621	17,965	2,802	—	444,083
Prince Rupert—					
Receipts.....	—	—	9,535,127	—	—
Shipments.....	—	—	8,896,325	—	—
Churchill—					
Receipts.....	21,792,231	1,110	—	—	—
Shipments.....	21,700,046	175,953	—	—	—
Transcona—					
Receipts.....	112,492	23,182	26,555	4,045	660
Shipments.....	80,084	56,561	35,311	4,045	660
Calgary—					
Receipts.....	1,573,702	—	1,990,623	—	5,468
Shipments.....	1,544,208	6,477	2,071,605	—	5,468
Edmonton—					
Receipts.....	1,952,205	45,926	47,142	—	4,530
Shipments.....	2,289,058	63,521	39,816	—	4,174
Lethbridge—					
Receipts.....	352,864	—	—	1,664	30,089
Shipments.....	281,712	—	—	1,664	30,089
Moose Jaw—					
Receipts.....	7,600	151,046	2,058	1,604	1,422
Shipments.....	28,123	151,046	2,058	1,604	1,422
Saskatoon—					
Receipts.....	253,093	45,182	—	—	35,467
Shipments.....	1,061,183	11,059	—	—	34,838
Total Receipts.....	323,114,555	29,254,409	94,374,001	4,278,486	14,474,943
Total Shipments.....	311,094,916	35,060,785	98,487,048	4,445,691	14,307,284

Table C-4.—Shipments of Foreign Grain From Canadian Elevators into Canadian Consumer Channels, Crop Year 1959-60

From	United States Flaxseed	United States Corn	United States Soybeans	South African Corn
	bu.	bu.	bu.	bu.
Eastern Elevators.....	98,571	7,637,186	2,159,312	49,803
Fort William-Port Arthur.....	—	—	—	—
Interior Terminals.....	—	—	—	—
Interior Private and Mill Elevators.....	—	888,036	—	—
Pacific Coast Elevators.....	—	—	—	—

Table C-5.—Primary Receipts and Shipments at Eastern Elevators, Crop Year 1959-60

	Receipts	Shipments
CANADIAN GRAIN	bu.	bu.
Wheat.....	182,601,602	165,208,357
Oats.....	30,048,152	31,012,488
Barley.....	33,375,622	34,224,344
Rye.....	1,158,825	1,226,365
Flaxseed.....	5,739,430	5,954,548
Corn.....	2,509,125	2,376,888
Soybeans.....	3,385,320	3,268,331
Buckwheat.....	85,041	81,773
Peas.....	112,706	109,200
Rapeseed (lbs.).....	2,045,360	2,045,360
Mixed Grain (lbs.).....	2,221,392	570,000
Sample Grain (lbs.).....	17,117,093	15,901,262
UNITED STATES GRAIN		
Wheat.....	4,341,170	4,376,193
Oats.....	360,126	357,160
Barley.....	1,141,046	1,198,021
Rye.....	612,566	612,566
Flaxseed.....	1,235,077	1,432,641
Corn.....	19,113,884	18,606,563
Soybeans.....	6,084,543	5,495,205
Mixed Grain (lbs.).....	3,965,450	3,965,450
FOREIGN GRAIN		
South African Corn.....	—	49,803

Table C-6.—Supply and Disposition of Canadian Grain in United States Positions, Crop Year 1959-60

	Wheat	Oats	Barley	Rye	Flaxseed
	bu.	bu.	bu.	bu.	bu.
SUPPLY					
In Store and in Transit U.S.A.....	159,089	—	—	—	—
Receipts direct from Canada.....	2,810,856	1,103,771	13,525,895	4,214,776	—
Total Supply.....	2,969,945	1,103,771	13,525,895	4,214,776	—
DISPOSITION					
Exported.....	136,788	—	—	—	—
Returned to Canada.....	745,407	—	—	—	—
Used Domestically.....	2,087,750	1,103,771	13,525,895	4,062,776	—
Total Disposition.....	2,969,945	1,103,771	13,525,895	4,062,776	—
In Store and in Transit July 31, 1960	—	—	—	152,000	—

Table C-7—Exports of Canadian Wheat, by Seaboard Sectors, by Months, Crop Year 1959-60

	Via Canadian Pacific Ports	Via Canadian St. Lawrence- Atlantic Ports	Via Churchill	Via Fort William- Port Arthur Direct	Via United States Atlantic Ports	United States Imports ¹		Total Wheat All Wheat	Wheat Flour ²	Total Wheat and Wheat Flour
						For Domestic Use	Milling in Bond			
1959	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.
August.....	6,979,151	5,783,555	8,096,226	334,285	—	10,100	—	21,203,317	3,194,429	24,397,746
September.....	6,862,447	5,091,949	9,368,759	1,041,067	—	131,751	110,000	22,605,973	3,547,338	26,153,311
October.....	6,027,459	11,433,133	3,693,727	1,136,818	—	99,180	—	22,440,317	3,059,255	25,499,572
November.....	7,977,540	19,981,155	—	1,196,652	—	83,346	—	29,238,693	3,312,361	32,551,054
December.....	7,550,262	12,540,967	—	—	136,788	34,456	—	20,262,473	3,558,579	23,821,052
1960										
January.....	7,150,150	6,056,821	—	—	—	12,729	—	13,219,700	3,076,181	16,295,881
February.....	10,986,416	5,470,615	—	—	—	5,000	—	16,462,031	2,617,345	19,079,376
March.....	9,707,655	7,375,023	—	—	—	19,067	—	17,101,745	2,616,820	19,718,565
April.....	4,776,360	10,260,307	—	306,557	—	29,497	—	15,372,721	2,507,619	17,880,340
May.....	8,384,979	9,545,702	—	1,976,670	—	1,183,600	119,000	21,209,951	3,840,963	25,050,914
June.....	10,472,560	9,880,367	—	558,874	—	99,190	—	21,010,991	2,465,765	23,476,756
July.....	8,193,014	4,981,127	541,333	722,797	—	180,834	—	14,589,105	3,618,482	18,207,587
Total Crop Year 1959-60	95,067,993	108,400,721	21,700,045	7,323,720	136,788	1,858,750	229,000	234,717,017	37,415,137	272,132,154
Total Crop Year 1958-59	106,547,195	118,857,043	18,409,322	4,979,236	—	1,953,931	1,408,216	252,154,943	37,124,914³	289,279,857
5-Year Average 1954-55 to 1958-59	103,711,531	121,183,272	15,623,725	1,028,262	148,638	4,366,810	1,252,518	247,314,756	38,333,378	285,648,134

¹ Compiled from returns of Canadian elevator licensees and shippers and advice from American grain correspondents.² Canadian Customs returns converted to bushels—unadjusted for time lag.³ Revised—adjusted to remove effect of time lag in reports made by the Customs.

Table C-8—Overseas Exports of Canadian Grain, by Seaboard Sectors, by Grades, Crop Year 1959-60

Grades	Via Canadian Pacific Ports	Via Canadian St. Lawrence- Atlantic ¹ Ports	Via Churchill	Via Ft. William- Port Arthur direct	Via United States Atlantic Ports	Total
	bu.	bu.	bu.	bu.	bu.	bu.
WHEAT—						
1 Manitoba Northern.....	1,716,108	995,404	93,333	—	—	2,804,845
2 Manitoba Northern.....	21,416,688	33,954,763	11,930,737	2,698,305	—	69,100,493
3 Manitoba Northern.....	34,483,081	33,357,770	8,076,222	2,302,300	—	78,219,373
4 Manitoba Northern.....	26,488,026	12,072,998	1,144,775	664,658	—	40,507,245 ²
No. 5.....	9,493,860	4,002,918	277,336	—	—	13,774,114
Garnet.....	162,629	—	—	—	—	162,629
Alberta Winter.....	558,134	—	—	—	—	558,134
Other Western.....	749,467	1,611,225	177,642	1,123,018	—	3,661,352
Eastern.....	—	1,318	—	—	—	1,318
2 C.W. Amber Durum.....	—	6,075,835	—	304,566	—	6,380,401
3 C.W. Amber Durum.....	—	8,033,481	—	37,334	—	8,070,815
Ex. 4 C.W. Amber Durum.....	—	5,642,479	—	143,699	—	5,786,178
4 C.W. Amber Durum.....	—	3,533,863	—	49,840	—	3,583,703
5 C.W. Amber Durum.....	—	18,667	—	—	—	18,667
Totals.....	95,067,993	108,400,721	21,700,045	7,323,720	—	232,629,267²
OATS—						
3 C.W.....	—	8,235	—	—	—	8,235
Ex. 1 Feed.....	939,516	133,574	—	119,114	—	1,192,204
1 Feed.....	1,528,653	40,706	—	111,474	—	1,680,833
Mixed Feed.....	265,900	944,015	138,353	197,647	—	1,545,915
Eastern.....	—	93,297	—	—	—	93,297
Totals.....	2,734,069	1,219,827	138,353	428,235	—	4,520,484
BARLEY—						
2 C.W. Six Row.....	91,666	—	—	—	—	91,666
3 C.W. Six Row.....	2,135,992	35,000	—	384,069	—	2,555,061
4 C.W. Six Row.....	451,773	144,312	—	—	—	596,085
2 C.W. Two Row.....	81,067	—	—	—	—	81,067
3 C.W. Two Row.....	5,837,827	—	—	—	—	5,837,827
1 Feed.....	20,698,686	571,973	—	—	—	21,270,659
2 Feed.....	2,554,617	4,196,945	—	6,882,995	—	13,634,557
3 Feed.....	—	41,464	—	—	—	41,464
Other Western.....	—	58,333	—	—	—	58,333
Totals.....	31,851,628	5,048,027	—	7,267,064	—	44,166,719
RYE—						
2 C.W.....	312,134	139,779	—	—	—	451,913
Totals.....	312,134	139,779	—	—	—	451,913
FLAXSEED—						
1 C.W.....	6,504,978	2,515,913	—	1,344,505	—	10,365,396
2 C.W.....	210,389	1,194,268	—	388,940	—	1,793,577
3 C.W.....	74,143	201,157	—	60,000	—	335,300
Totals.....	6,789,490	3,911,338	—	1,793,445	—	12,494,273

¹ Includes clearances of wheat direct overseas from Sarnia, Ontario.² Includes 136,788 bushels 4 Manitoba Northern shipped from U.S.A. Lake Ports.

Table C-9—Overseas Exports of Canadian Grain, by Ports, Crop Year 1959-60

Loaded at	Wheat (All varieties)	Oats	Barley	Rye	Flaxseed	Total All Grains
	bu.	bu.	bu.	bu.	bu.	bu.
Vancouver-New Westminster	92,246,198	2,719,180	22,956,224	312,134	6,344,320	124,578,056
Victoria	2,821,795	14,889	—	—	445,170	3,281,854
Prince Rupert	21,700,045	138,353	8,895,404	—	—	8,895,404
Churchill	7,323,720	428,235	—	—	—	21,838,398
Fort William-Port Arthur direct	106,400	—	7,267,064	—	1,793,445	16,812,464
Sarnia	48,341,600	1,055,034	—	—	—	106,400
Montreal	16,841,766	—	3,204,010	89,856	3,351,467	56,041,967
Sorel	11,432,086	—	116,940	—	—	16,958,706
Three Rivers	7,021,545	—	244,677	—	—	11,676,763
Quebec	332,470	—	1,482,400	—	—	8,503,945
Baie Comeau	1,829,735	—	—	—	—	332,470
Saint John	12,553,269	164,793	—	49,923	559,871	1,829,735
West Saint John	9,941,850	—	—	—	—	13,327,856
Halifax	—	—	—	—	—	9,941,850
Totals—Canadian Ports	232,492,479	4,520,484	44,166,719	451,913	12,494,273	294,125,868
U.S.A. Ports	136,788	—	—	—	—	136,788
Totals to Overseas	232,629,267	4,520,484	44,166,719	451,913	12,494,273	294,262,656
Wheat Flour ¹	37,415,137	—	—	—	—	37,415,137
U.S.A. Imports ²	2,087,750	1,103,771	13,525,895	4,062,776	—	20,780,192
Grand Totals	272,132,154	5,624,255	57,692,614	4,514,689	12,494,273	352,457,985

¹ Canadian Customs Returns—converted to bushels.² Compiled from returns of Canadian Elevator licensees and shippers and advice from American grain correspondents.

Table C-10—Tough and Damp Grain Dried, by Storage Position, Crop Year 1959-60

	Artificial Drying			Natural Drying	Total
	Tough	Damp	Tough and Damp		
LAKEHEAD					
Wheat.....	bu. 11,835,869	bu. 14,170,340	bu. 26,006,209	bu. 11,803,198	37,809,407
Durum.....	72,921	257,806	330,727	213,679	544,406
Oats.....	165,057	405,608	570,665	533,436	1,104,101
Barley.....	291,533	1,043,132	1,334,665	2,227,751	3,562,416
Rye.....	6,028	19,876	25,904	86,452	112,356
Flaxseed.....	923,953	1,133,221	2,057,174	528,264	2,585,438
Totals.....	13,295,361	17,029,983	30,325,344	15,392,780	45,718,124
PACIFIC COAST					
Wheat.....	12,082,872	5,151,689	17,234,561	4,601,616	21,836,177
Oats.....	77,093	19,524	96,617	306,906	403,523
Barley.....	1,920,948	986,857	2,907,805	2,213,795	5,121,600
Rye.....	—	—	—	27,500	27,500
Flaxseed.....	17,237	15,068	32,305	515,298	547,603
Totals.....	14,098,150	6,173,138	20,271,288	7,665,115	27,936,403
INTERIOR					
Wheat.....	860,581	1,864,896	2,725,477	—	2,725,477
Oats.....	97	5,677	5,774	—	5,774
Barley.....	—	3,748	3,748	—	3,748
Flaxseed.....	—	5,158	5,158	—	5,158
Totals.....	860,678	1,879,479	2,740,157	—	2,740,157
CHURCHILL					
Wheat.....	—	—	—	237,348	237,348
Totals, All Positions.....	28,254,189	25,082,600	53,336,789	23,295,243	76,632,032

Table C-11—Weighted Average Lake Freight Rates on Canadian Grain from Fort William-Port Arthur, Season of Navigation 1960

Port of Discharge	Wheat	Oats	Barley	Rye	Flaxseed
(cents per bushel)					
Georgian Bay Ports, Goderich, Sarnia and Walkerville.....	5.045	4.679	5.022	5.477	—
Port Colborne.....	6.5	6.0	6.358	6.5	—
Toronto.....	7.0	6.5	7.163	7.0	7.5
Kingston.....	7.75	7.0	7.25	—	—
Prescott.....	8.015	7.25	7.524	—	—
Montreal (Direct).....	13.0	10.113	12.460	13.0	14.0
Montreal via Port Colborne.....	14.084	—	—	—	—
Montreal via Toronto.....	14.0	—	—	—	—
Montreal via Kingston.....	14.0	10.867	12.316	14.0	14.313
Montreal via Prescott.....	13.627	10.5	12.5	—	14.631
Sorel (Direct).....	13.0	10.0	12.3	—	—
Sorel via Port Colborne.....	14.0	—	—	—	—
Sorel via Kingston.....	14.0	—	—	—	—
Sorel via Prescott.....	14.0	—	—	—	—
Three Rivers (Direct).....	13.0	10.105	12.405	—	—
Three Rivers via Bay Ports.....	14.0	—	—	—	—
Three Rivers via Port Colborne.....	14.0	—	—	—	—
Three Rivers via Toronto.....	14.0	—	—	—	—
Quebec (Direct).....	13.0	10.037	12.330	—	—
Quebec via Kingston.....	—	10.5	—	—	—
Baie Comeau.....	13.0	—	—	—	—
Baie Comeau via Port Colborne.....	14.0	—	—	—	—
Halifax.....	17.678	17.0	18.312	18.5	—
Port Williams.....	30.0	22.0	25.0	—	—
Point du Chene.....	19.0	17.5	18.0	—	—
Buffalo.....	8.0	7.5	7.766	8.0	—
Chicago.....	7.367	—	6.294	6.641	—
Duluth-Superior.....	5.645	—	5.262	—	—
Manitowoc.....	—	—	6.550	—	—
Milwaukee.....	6.632	—	6.414	6.5	—
Oswego.....	—	—	9.0	—	—

Note—Rates originally quoted in United States Funds have been converted to Canadian currency at the prevailing rates of exchange.

Table C-12.—Excesses and Deficiencies in Specified Grades of Wheat Disclosed by Weighovers of Grain Stored in SEMI-PUBLIC TERMINAL Elevators, Crop Year 1959-60

Date of Weighover	Licensee	EXCESS				DEFICIENCY			
		No. 1 Manitoba Hard	No. 1 Manitoba Northern	No. 2 Manitoba Northern	No. 3 Manitoba Northern	No. 1 Canada Western Garnet	No. 2 Canada Western Garnet	No. 1 Canada Western Garnet	No. 2 Canada Western Garnet
Dec. 28, 1959- Jan. 5, 1960	FORT WILLIAM-PORT ARTHUR The Fort William Elevator Co. Ltd.	bu.	bu.	bu.	bu.	bu.	bu.	bu.	bu.
Dec. 14-21, 1959	Empire Elevator "E"	—	—	—	—	1,953.3	656.3	—	—
Dec. 15-18, 1959	Lakhead Terminals Ltd.	—	—	—	—	36.8	760.9	1,010.9	—
Jan. 11-15, 1960	Manitoba Pool Elevators Elevator No. 1	—	—	—	—	15.9	4,044.2	2,949.2	—
Dec. 14-17, 1959	McCube Grain Co. Ltd.	—	304.9	—	—	—	10,008.7	12,988.5	—
Dec. 15-23, 1959	National Grain Co. Ltd.	—	—	—	—	230.4	7,147.1	13,055.5	—
Nov. 9-13, 1959	Ogilvie Flour Mills Co. Ltd.	—	—	—	—	62.8	391.5	7,752.9	—
Dec. 22, 1959- Jan. 8, 1960	Saskatchewan Wheat Pool Elevator No. 4	—	—	—	—	4,335.8	27,261.3	22,343.7	—
Dec. 8-12, 1959	Elevator No. 5	—	—	—	—	60.8	9,749.9	2,826.9	—
Dec. 14-23, 1959	Searle Grain Co. Ltd.	—	—	—	—	3,243.5	22,401.9	18,544.9	—
Dec. 15-18, 1959	Superior Elevator Co. Ltd.	—	1,140.3	1,468.5	—	—	—	4,653.5	—
Sept. 30- Oct. 6, 1959	United Grain Growers Ltd. Thunder Bay	—	1,048.1	923.5	—	—	—	5,407.9	—

Table C-13—Excesses and Deficiencies in Specified Grades of Wheat disclosed by Weighovers of Grain Stored in PRIVATE TERMINAL Elevators, Crop Year 1959-60

Date of Audit, December 7, 1959	Winnipeg, Manitoba Canada Malting Co. Ltd.	
	Excess	Deficiency
	bu.	bu.
No. 1 Manitoba Hard.....	—	—
No. 1 Manitoba Northern.....	—	—
No. 2 Manitoba Northern.....	—	15.1
No. 3 Manitoba Northern.....	—	20.1
No. 1 Canada Western Garnet.....	—	—
No. 2 Canada Western Garnet.....	—	—

No wheat of the above grades was handled or in store in the following elevators:

Date of Weighover	Elevator Company	Location
March 16, 1960.....	Canada Malting Co. Ltd.....	Port Arthur, Ontario
December 7, 1959.....	Dominion Malting Co. Ltd.....	Transcona, Manitoba
February 8, 1960.....	National Grain Feed Mill.....	Fort William, Ontario

Table C-14—Overages and Shortages Disclosed by Weighovers of Canada Western and Foreign Grain Stored in Eastern Elevators, Crop Year 1959-60

Date of Weighover	Licensee	Kind of Grain	Overage	Shortage
			bu.	bu.
1960				
Feb. 9-17	COLLINGWOOD Collingwood Terminals Ltd.....	Canada Western Wheat.....	—	1,735.1
		Canada Western Oats.....	—	997.7
		Canada Western Barley.....	—	485.9
		Canada Western Screenings.....	—	*9,470
Mar. 28- Apr. 7	GODERICH Goderich Elevator and Transit Co. Ltd.....	Canada Western Wheat.....	—	3,904.0
		Canada Western Oats.....	1,933.4	—
		Canada Western Barley.....	—	1,783.1
		Canada Western Rye.....	—	164.9
		Canada Western Screenings.....	—	*68,810
		U.S.A. Corn.....	—	663.1
Feb. 1-12	HUMBERSTONE Robin Hood Flour Mills Ltd.....	Canada Western Wheat.....	—	9,754.0
		Canada Western Oats.....	—	51.1
		Canada Western Barley.....	—	82.2
Feb. 8-13	KINGSTON Canada Steamship Lines Ltd.....	Canada Western Wheat.....	—	6,400.5
		Canada Western Oats.....	—	1,567.3
		Canada Western Barley.....	—	620.9
		Canada Western Rye.....	—	135.4
		Canada Western Flaxseed.....	—	877.8
		U.S.A. Oats.....	—	227.9
		U.S.A. Barley.....	—	65.9
		U.S.A. Rye.....	—	67.0
		U.S.A. Flaxseed.....	—	345.1
		U.S.A. Corn.....	—	1,879.4
May 19	LAKEFIELD Lakefield Elevator Co. Ltd.....	Canada Western Wheat.....	—	3,006.0
Feb. 15- Mar. 7	MIDLAND Canada Steamship Lines Ltd.....	Canada Western Wheat.....	—	3,748.8
		Canada Western Oats.....	—	763.0
		Canada Western Barley.....	29.6	—
		U.S.A. Corn.....	—	207.8

Table C-14—Overages and Shortages Disclosed by Weighovers of Canada Western and Foreign Grain Stored in Eastern Elevators, Crop Year 1959-60—Continued

Date of Weighover	Licensee	Kind of Grain	Overage	Shortage
1960			bu.	bu.
Mar. 21-Apr. 1	Canadian National Railways.....	Canada Western Wheat.....	—	5,926.7
Mar. 15-31	Midland Simcoe Elevator Co. Ltd.....	Canada Western Wheat.....	—	1,336.7
		Canada Western Oats.....	—	2,857.4
		Canada Western Barley.....	341.6	—
Mar. 8-18	Renown Investments Ltd.....	Canada Western Wheat.....	—	1,371.2
Mar. 18-23	MONTREAL Dominion Elevator Ltd.....	Canada Western Wheat.....	—	1,793.7
		Canada Western Oats.....	—	1,202.6
		Canada Western Barley.....	—	858.0
		Canada Western Flaxseed.....	—	6.3
		Canada Western Sample Grain.....	—	*18,640
		Canada Western Screenings.....	—	* 4,880
		U.S.A. Corn.....	—	63.1
		U.S.A. Soybeans.....	—	2.5
Jan. 13-Feb. 29	National Harbours Board.....	Canada Western Wheat.....	—	170,956.9
		Canada Western Oats.....	—	851.0
		Canada Western Barley.....	—	49,781.3
		Canada Western Rye.....	—	13,468.7
		Canada Western Flaxseed.....	—	12,107.0
		Canada Western Buckwheat.....	—	306.3
		Canada Western Peas.....	—	395.7
		Canada Western Mixed Grain.....	*1,725,760	—
		Canada Western Sample Grain.....	* 70,120	—
		Canada Western Sample (Miscellaneous).....	—	* 2,530
		Canada Rapeseed.....	—	*39,680
		Canada Western Screenings.....	—	*10,030
		Sample Canadian Red Spring and U.S.A. Winter Wheat.....	—	2.8
		U.S.A. Wheat.....	—	2,415.0
		U.S.A. Oats.....	—	297.4
		U.S.A. Barley.....	—	1,455.4
		U.S.A. Rye.....	—	219.5
		U.S.A. Flaxseed.....	—	8,976.9
		U.S.A. Corn.....	—	8,461.3
		U.S.A. Buckwheat.....	—	9.2
		U.S.A. Soybeans.....	200.9	—
		U.S.A. Rice.....	—	84.5
		Iran Rice.....	—	30.1
		S.A. Corn.....	—	730.0
Feb. 18-Mar. 14	OWEN SOUND Great Lakes Elevator Co. Ltd.....	Canada Western Wheat.....	—	8,709.7
		Canada Western Oats.....	—	2,275.3
		Canada Western Barley.....	—	1,645.0
		Canada Western Sample Feed Grain.....	*24,310	—
		Canada Western Screenings.....	—	*58,990
Jan. 25-29	PORT COLBORNE Maple Leaf Milling Co. Ltd.....	Canada Western Wheat.....	—	7,192.4
		Canada Western Oats.....	112.8	—
		Canada Western Barley.....	—	620.3
		Canada Western Rye.....	—	221.7
		U.S.A. Flaxseed.....	—	39.3
		U.S.A. Corn.....	—	107.7
		U.S.A. Soybeans.....	—	112.4

Table C-14—Overages and Shortages Disclosed by Weighovers of Canada Western and Foreign Grain Stored in Eastern Elevators, Crop Year 1959-60—Concluded

Date of Weighover	Licensee	Kind of Grain	Overage	Shortage
1960			bu.	bu.
Sept. 9-11 1959	National Harbours Board.....	Canada Western Wheat.....	—	9,867.3
		Canada Western Oats.....	—	1,556.8
		Canada Western Barley.....	—	2,165.1
		Canada Western Rye.....	—	209.7
		Canada Western Flaxseed.....	—	815.1
		U.S.A. Flaxseed.....	—	938.0
		U.S.A. Corn.....	—	751.3
Mar. 28-Apr. 4	PRESCOTT National Harbours Board.....	Canada Western Wheat.....	—	7,329.7
		Canada Western Oats.....	1,333.0	—
		Canada Western Barley.....	1,114.0	—
		Canada Western Flaxseed.....	—	82.6
		Canada Western Screenings.....	—	*6,560
		U.S.A. Corn.....	—	1,827.4
Mar. 2-24	QUEBEC National Harbours Board.....	Canada Western Wheat.....	—	7,343.8
		Canada Western Oats.....	—	4,530.6
		Canada Western Barley.....	—	4,710.1
		Canada Western Rye.....	—	3.8
		Canada Western Rapeseed.....	—	*930
		Canada Western Screenings.....	—	*5,380
		U.S.A. Wheat.....	—	7.7
		U.S.A. Oats.....	—	42.7
		U.S.A. Barley.....	—	95.7
		U.S.A. Flaxseed.....	—	13.6
		U.S.A. Mixed Grain.....	—	*2,480
		S.A. Corn.....	—	31.2
Feb. 22-Mar. 4	SOREL North American Elevators Ltd.....	Canada Western Wheat.....	—	12,458.6
		Canada Western Oats.....	—	265.6
		Canada Western Barley.....	—	584.2
		U.S.A. Corn.....	—	278.3
Mar. 8-24	TORONTO Toronto Elevators.....	Canada Western Wheat.....	—	2,846.7
		Canada Western Oats.....	—	985.2
		Canada Western Barley.....	—	1,333.1
		Canada Western Rye.....	—	42.5
		Canada Western Flaxseed.....	—	1,024.7
		Canada Western Screenings.....	—	*3,250
		U.S.A. Corn.....	—	2,672.9
		U.S.A. Soybeans.....	—	13,981.3
June 24	PETERBOROUGH Trent Elevator Co.....	Canada Western Wheat.....	—	245.3
Apr. 1-11	WALKERVILLE Hiram Walker & Sons Grain Corp. Ltd.....	Canada Western Wheat.....	—	2,402.9
		Canada Western Oats.....	—	24.1
		Canada Western Barley.....	—	458.7
		Canada Western Rye.....	—	697.5
		U.S.A. Corn.....	—	488.3

* Pounds.

Table C-15.—Amounts Collected and Grain Purchased under the One Per Cent Levy, Prairie Farm Assistance Act, Crop Year 1959-60

Province	Wheat	Oats	Barley	Rye	Flaxseed	Rapeseed	Total
	\$	\$	\$	\$	\$	\$	\$
Manitoba.....	655,386.75	45,860.73	149,945.64	10,032.39	98,426.02	1,844.96	961,496.49
Saskatchewan.....	3,101,317.13	50,579.36	289,156.97	19,684.66	182,668.66	28,155.18	3,671,561.96
*Alberta.....	1,145,113.50	46,579.06	323,913.11	8,611.27	162,301.15	7,347.44	1,693,865.53
Totals.....	4,901,817.38	143,019.15	763,015.72	38,328.12	443,395.83	37,347.58	6,326,923.98
*Includes Peace River area in B.C.							
Penalties on late filing of returns							2.42
Total collections Aug. 1, 1959 to July 31, 1960							6,326,926.40

	GRAIN PURCHASES						
			thousands of bushels				
Manitoba.....	48,842	7,339	17,822	1,107	3,238	114	78,462
Saskatchewan.....	238,732	8,390	36,009	2,264	5,855	1,471	292,721
Alberta.....	92,889	9,044	42,195	980	5,183	367	150,658
Totals.....	380,463	24,773	96,026	4,351	14,276	1,952	521,841

Table C-16—Licences in Force and Storage Capacity as at July 31st, 1960, and a Year Ago

Kind of Licence	Licences in force July 31		Licensed storage capacity July 31	
	1960	1959	1960	1959
Country Elevators.....	5,302	5,317	361,915,800	378,071,540
Supplementary Annexes to Country Elevators.....	*	*	7,170,500	11,381,400
Terminals and Mill Elevators.....	79	80	159,533,010	158,266,010
Eastern Elevators.....	32	31	110,435,300	94,227,300
Track Buyers, Commission Merchants and Grain Dealers.....	45	49	†	†
Totals.....	5,458	5,477	639,054,610	641,946,250

* 147 buildings at July 31, 1960 and 204 buildings at July 31, 1959.

† These licences do not cover grain storage facilities.

Table C-17.—Number and Kind of Licences Issued and Licensed Storage Capacity, as at December 1st each year for the Past Five Years

Kind of Licence	1960	1959	1958	1957	1956
NUMBER OF LICENCES					
Public Country Elevator.....	5,293	5,304	5,314	5,343	5,354
Private Country Elevator.....	6	8	8	10	9
Mill Elevator.....	27	34	35	33	32
Public Terminal Elevator.....	—	—	—	—	5
Semi-Public Terminal Elevator.....	40	40	40	40	34
Private Terminal Elevator.....	5	5	5	5	5
Eastern Elevator.....	32	31	31	30	30
Track Buyer.....	18	20	22	21	21
Commission Merchant.....	21	22	24	23	23
Grain Dealer.....	6	5	5	5	5
Totals.....	5,448	5,469	5,484	5,510	5,518
LICENCED CAPACITY					
	thousands of bushels				
Public Country Elevator.....	366,636	380,838	373,357	364,661	356,263
Grain Storage Buildings.....	7,241	10,157	12,992	14,953	15,080
Private Country Elevator.....	156	232	240	369	337
Mill Elevator.....	12,794	13,637	13,671	13,513	13,451
Public Terminal Elevator.....	—	—	—	—	17,100
Semi-Public Terminal Elevator.....	139,974	138,524	137,524	137,524	118,774
Private Terminal Elevator.....	7,720	7,070	7,070	7,070	7,070
Eastern Elevator.....	110,435	97,767	94,227	94,102	94,102
Totals.....	644,956	648,225	639,081	632,192	622,177

Table C-18.—Licensed Elevators and Storage as at December 1, 1960

Kind of Elevator	Ontario	Mani- toba	Saskat- chewan	Alberta	British Colum- bia	Quebec and Mari- times	Totals
NUMBER OF ELEVATORS							
Public Country.....	3	692	2,897	1,682	19	—	5,293
Private Country.....	—	2	1	3	—	—	6
Mill.....	3	8	6	9	1	—	27
Public Terminal.....	—	—	—	—	—	—	—
Semi-Public Terminal.....	24	2	2	3	9	—	40
Private Terminal.....	2	2	—	1	—	—	5
Eastern.....	19	—	—	—	—	13	32
Totals.....	51	706	2,906	1,698	29	13	5,403
STORAGE CAPACITY							
	thousands of bushels						
Public Country.....	1,660	48,818	190,293	123,764	2,101	—	366,636
†Grain Storage Buildings.....	—	—	4,464	2,777	—	—	7,241
Private Country.....	—	45	29	82	—	—	156
Mill.....	1,480	2,255	4,992	4,049	18	—	12,794
Public Terminal.....	—	—	—	—	—	—	—
Semi-Public Terminal.....	91,967	6,000	11,000	6,100	24,907	—	139,974
Private Terminal.....	2,435	3,795	—	1,490	—	—	7,720
Eastern.....	58,026	—	—	—	—	52,409	110,435
Totals.....	155,568	60,913	210,778	138,262	27,026	52,409	644,956

†Off-site storage.

Table C-19.—Warehouse Receipt Registrations for Primary and Transfer Receipts and Shipments at Semi-Public Terminal Elevators and Eastern Elevators, by Area and Grain, Crop Year 1959-60 and 10-Year Average.

Area	Grain	Crop Year 1959-60		10-Year Average, 1949-50 to 1958-59	
		Registered	Registered for Cancellation	Registered	Registered for Cancellation
			thousands of bushels		
Western Division— Winnipeg, including Lakehead and Churchill	Wheat	226,100	212,360	207,695	202,874
	Oats	26,344	31,526	66,070	67,775
	Barley	51,850	56,693	74,686	73,927
	Flax	8,065	7,568	8,956	9,388
	Rye	3,918	4,133	9,530	9,709
	Mixed Grain	158	272	726	506
	Corn	—	—	26	27
	Other Grains	31	81	151	159
Interior Elevators— Calgary, Edmonton, Lethbridge, Moose Jaw and Saskatoon	Wheat	4,252	5,284	5,760	4,459
	Oats	265	289	341	348
	Barley	2,066	2,149	1,563	1,561
	Flax	78	77	183	185
	Rye	7	7	39	40
	Mixed Grain	4	9	2	27
	Corn	4	7	15	13
	Other Grains	1,663	1,623	1,417	1,242
Vancouver and Prince Rupert Area—	Wheat	95,504	96,145	99,018	98,564
	Oats	2,711	3,475	2,415	3,392
	Barley	32,775	32,155	18,333	18,160
	Flax	6,421	6,744	1,840	1,791
	Rye	370	329	219	221
	Mixed Grain	4	2	36	47
	Corn	—	—	268	268
	Other Grains	3,447	3,531	1,615	1,602
Western Division— All Points	Wheat	325,856	313,789	312,473	305,897
	Oats	29,320	35,290	68,826	71,515
	Barley	86,691	90,997	94,582	93,648
	Flax	14,564	14,389	10,979	11,364
	Rye	4,295	4,469	9,788	9,970
	Mixed Grain	166	283	764	580
	Corn	4	7	309	308
	Other Grains	5,141	5,235	3,183	3,003
Totals—All Grains		466,037	464,459	500,904	496,285
Eastern Division—	Wheat	277,885	258,856	306,572	302,837
	Oats	32,845	33,814	44,044	44,034
	Barley	37,452	38,477	81,982	81,686
	Flax	8,225	8,615	18,767	19,110
	Rye	1,958	2,031	6,542	6,698
	Mixed Grain	512	455	548	535
	Corn	22,663	21,979	19,258	19,314
	Screenings	1,730	1,711	1,488	1,501
	Peas	113	109	119	119
	Soybeans	11,601	10,999	3,895	3,842
	Buckwheat	85	82	362	364
	Other Grains	41	41	465	464
Totals—All Grains		395,110	377,169	484,042	480,504

APPENDIX D

Inspection Branch

M. J. CONACHER, *Chief Grain Inspector*

Under Section 32 of the Canada Grain Act, the Grain Inspection Branch in the Western Division establishes grades on carlots of grain on samples drawn during unloading by officials of the Inspection Branch at the Lakehead, Pacific Coast, Churchill, Winnipeg, Calgary, Edmonton, Moose Jaw, Saskatoon, Lethbridge and Medicine Hat. Also, all grain shipped from terminal and mill elevators is officially sampled and inspected. At the primary inspection points of Winnipeg, Calgary and Edmonton, samples placed in railway cars by country elevator agents are removed and graded; while this service does not provide official grades of these shipments, the grades established on the unofficial samples are used by the shippers and terminal operators as a guide to their delivery and handling of the grain.

In the Eastern Division, sampling and grading service is provided on request at Chatham and Toronto for eastern grown grain. At Montreal, Quebec, Sorel, Three Rivers, Baie Comeau, St. John and Halifax, grain loaded into vessels for export is sampled and reviewed with respect to grade.

Grades of all grain in store in all terminal and eastern elevators weighed over during the crop year are verified by officials of the Inspection Branch.

Crop Conditions and Grades, 1959, Western Division

Western Canada had great extremes in weather in 1959. In the spring, soil moisture varied from extremely low in the central and southern parts of the Prairies, to adequate in the northern and western areas, and excessive in eastern Manitoba. The dry area continued dry and hot through summer, so much of the crop was light. Outside of the dry belt, to the west, north and east, many crops were damaged by frosts and by rain at harvest time; large areas of crops were left in the fields under snow, to be threshed after freeze-up or in the spring.

The proportion of high grades of grain shipped was remarkable, considering the bad weather that the crops endured; although there is no doubt that much of the lower grade grain was used on the farms as feed, including grain that was possibly damaged in drying on the farms. The farmers generally were obviously impressed by publicity given to the risk of loss of precious markets if grain that was damaged in drying should be sold to overseas millers or maltsters, represented as Canadian "quality" grain.

Manitoba No. 3 Northern was the predominating grade (31.7%) of red spring wheat shipments through the 1959-60 crop year. Shipments of Manitoba No. 2 Northern were down from the previous year (27.9% against 33.5%), as was Manitoba No. 1 Northern (1.4% against 1.9% in the 1958-59 crop year); but only 16.0% of shipments graded Manitoba No. 4 Northern, No. 5 and No. 6. The figures given here do not include Tough and Damp red spring wheat (20.3% of all carlot shipments), practically all of which was promoted to straight grade after drying in terminal elevators.

In considering the percentages of different grades shipped, it must be remembered that these contain varying proportions of grain carried over from the previous crop year. Farmers are naturally disposed to sell their higher grade, thus higher priced, grain and use the lower priced grain for feed; how-

ever, it is significant that the supply of low grade wheat virtually disappeared through the summer of 1960.

The pattern of grades of durum wheat shipped in the 1959-60 crop year was even better than that of red spring wheat. Less than 12 percent of shipments were graded No. 4, No. 5 and No. 6 Canada Western Amber Durum. This could be attributed to the fact that little durum wheat is grown in the northern areas where the weather was so bad in the fall of 1959. The same applied to rye, which was generally of high grade; 65.2% of shipments of this grain were graded No. 1 or No. 2 Canada Western.

Only 14.7% of oats shipped during the crop year were "straight" grade (dry) No. 3 Canada Western and higher. Damage from mildew, the result of weathering, was more conspicuous in oats than for several years.

41.3% of the barley shipped in cars from the country were graded No. 3 Canada Western or higher (including six-row and two-row), but much of this was not accepted by domestic maltsters or exporters to the malting trade, on account of thin, ripe kernels from the dry areas, and because mechanical handling increased the percentages of peeled kernels—the cause was loose hulls from weathering of the ripe crops in the wetter areas. Much of this barley was subsequently demoted to "feed" grades in the terminal elevators because it could not be delivered in conformity with requirements of the malting trade.

Flaxseed showed the effect of weathering in the fall. Only 66.8% was graded No. 1 Canada Western, compared to 89.0% in the 1958-59 crop year. Much of the rapeseed shipped was high in moisture content, and was dried in terminal elevators. Both rapeseed and flaxseed that was caught in the fields under snow meant substantial losses to the growers; they took serious losses in grade, and in many cases these grains were not worth threshing in the spring.

Mustard seed produced in the Lethbridge district, was about 90% No. 1 Canada Western, with Oriental variety predominating.

Crop Conditions and Grades, 1959, Eastern Division

In Eastern Canada, the winter of 1958-59 was particularly hard on crops of winter varieties of wheat and barley. Winter-killing of these grains was so severe in southwestern Ontario that much of the acreage was resown in the spring. The losses of winter barley were offset by planting of spring barley, but wheat production was sharply reduced.

The summer of 1959 was abnormally dry in Ontario and Quebec, so the early-maturing grains, namely wheat, barley, rye, oats and flaxseed were of generally high quality. 59% of carlots of wheat inspected were graded No. 1 or No. 2 Canada Eastern Winter, and 89% of carlots of barley were graded No. 2 or No. 3 Canada Eastern Six-Row.

The late-maturing crops, corn, soybeans and pea beans were helped by timely rains in early September, and subsequent fine harvest weather produced good average quality in these crops. Frost in some areas was as early as September 14 and did limited damage to late crops of soybeans; 81% of soybeans inspected were graded No. 1 or No. 2 Canada Yellow, including 26% tough and damp.

77% of pea beans were graded No. 1 and Extra No. 1 Canada Eastern; the colour was very good and incidence of damage from disease was low.

55% of cars of corn inspected qualified for straight grades (dry or extra dry) No. 1 and No. 2 Canada Eastern; 44% of all cars inspected were off-grade on account of excessive moisture content.

Control of Drying of Grain

The great volume of 1959 crop grain that was threshed with high moisture content taxed drying facilities to the utmost. Dryers at terminal elevators worked at full capacity through the winter and spring; over 53 million bushels were dried in the terminals under strict supervision of the Grain Inspection Branch. The Board's Research Laboratory gave excellent collaboration in the testing of samples to determine effects of drying on the quality of the grain.

Dryers were also set up in some farming areas, to cope with the problem of storing and shipping damp grain. An assiduous, extensive operation, conducted jointly by the Research Laboratory and the Inspection Branch, resulted in such control of drying that damage to grain was held to an almost negligible level.

The small amount of grain shipped that was damaged in drying was graded Rejected Dried.

Samples Submitted For Grading

18,628 samples submitted by country elevator operators and farmers, "subject to inspector's grade and dockage", were graded during the 1959-60 crop year, compared to 13,627 during the previous crop year.

Farmers' Complaints on Carlot Shipments

During the crop year 1959-60, the Inspection Branch received 51 requests from farmers to establish whether the identity of carlots of special bin grain had been preserved in the handling through country elevators. In 13 instances it was established that the identity of the farmers' grain had not been preserved. Appropriate settlements were made by the elevator operators in these cases.

Extension of Grain Inspection Services

The construction of the 12-million bushel elevator at Baie Comeau on the Lower St. Lawrence River, required the establishment of official grain inspection service there in order to provide final certificates of grade on outward vessel shipments. The Board provided staff for the inspection of Canadian grain, and the United States Department of Agriculture provided staff for the grading of U.S. grain. The U.S. Department of Agriculture also opened an office in Montreal to handle the grading of their grain at the elevators in the Upper St. Lawrence district.

Kernel Characteristics of Varieties

The Inspection Branch provides a special service to plant breeders in the Department of Agriculture by examining and reporting on the kernel characteristics of new varieties and hybrids of red spring, amber durum and winter wheat and barley.

The report points out the desirable and undesirable kernel characteristics of each variety and describes the appearance of the sample in comparison with the normal appearance of high quality Canadian red spring wheat.

Preliminary reports are made directly to plant breeders on new varieties in their earliest stages of development. This gives the plant breeder invaluable guidance in deciding which varieties he should continue to develop. In the final stages of development, a detailed report is made to the plant breeders and the Associate Committee on Grain Research. This report is of value when the variety is considered for licensing.

In 1960, almost 2,000 samples, representing 135 new varieties and selected lines of established varieties, were examined and reported on.

The constant production of new varieties has made it necessary to institute a more intensive program of staff training in varietal identification for our inspectors. This has been done in conjunction with an expanded staff training program for Grain Inspectors and Grain Inspection Assistants, which was inaugurated throughout the system this year.

In connection with this work, the Inspection Branch prepared for publication an illustrated handbook entitled "Identification of Barley and Wheat Varieties by Kernel Characters", especially for the use of Grain Inspectors and grain handlers. This publication has been well received by the grain trade and agricultural institutions in Canada, the United States of America, and overseas.

Changes in Malting Grades of Barley

In response to a request made in the meeting of the Committee on Western Grain Standards in October, 1959, the Board investigated problems regarding grades of barley. In meetings with representatives of all interests in the malting barley business, from farmers to exporters, it was established that much barley being admitted to "malting" grades was being demoted to "feed" grades for two reasons, (1) due to unavoidable increase in peeled and broken kernels in handling at terminal elevators, barley received containing within one percent of the maximum tolerances in the malting grades would usually not qualify for the same grades on delivery from the terminals, and (2) much barley being admitted into top grades was not acceptable by domestic or foreign maltsters on account of small kernel size. Therefore, in the interests of the growers of barley of true "malting" quality, kernel size specifications were introduced, and tolerances of peeled and broken kernels were reduced in the grades of No. 2 and No. 3 Canada Western barley. Also, the commercial grade of No. 4 Canada Western Six-Row barley was rescinded because it had proved useless. These changes were made effective on August 1, 1960.

Collaboration with U.S.A. Grain Inspection Service

The increased handling of United States grain through Canadian elevators resulting from the St. Lawrence Seaway development, led to their Department of Agriculture establishing grain inspection offices at Montreal and Baie Comeau to provide official United States inspection of their grain.

Negotiations with officials of the United States grain inspection service were completed by the Board's Chief Grain Inspector on the occasion of his attendance at a biennial conference of senior officials of the United States service in Toledo, Ohio, May, 1960. A practical, satisfactory program was set up, including arrangements for the Board to provide sampling service for the United States inspectors at the elevators in the St. Lawrence.

Improvements in Equipment

During the year the Inspection Branch participated in the testing of experimental apparatus for sampling of grain by mechanical means in various types of elevator installations. This was done in conjunction with the regular program of control of sampling, particularly in terminal and Eastern elevators. This work resulted in some new installations of mechanical samplers in terminals, and the prospect of several more units being installed.

Increasingly exacting specifications require more and better equipment for grading. For example, when the assessment of dockage on export shipments of oil seeds was changed from the nearest one-half of a percent to the nearest one-tenth percent, this dictated the need for faster, more precise scales, cleaning machines and sieves; similarly, new precision equipment became necessary with the introduction of requirement as to size of kernels in the top grades of barley.

Improvements in accuracy and speed of testing grain for moisture were introduced with the technical assistance of the Board's Research Laboratory. An electrical meter supplanted the older distillation method for the testing of some kinds of grain.

The program for acquisition of better equipment, while short of known requirements, made significant progress during the year.

Staff Training

The rate of introduction of new kinds and varieties of grain in Canada in recent years and a new method of recruiting prospective grain inspectors, have required a real expansion of the training program for grain inspectors and grain inspection assistants. This phase of staff training has become an increasingly significant function of the Inspection Branch head office. A senior inspector of the Chief Inspector's staff handles this important project. In the winter of 1959-60 this officer made a trip to offices through the system to give personal instruction and guidance to staff. In addition, he directed a program of staff training that is conducted through the year by senior grain inspectors at all points.

Visitors to the Inspection Branch

During the 1959-60 crop year, 81 people from foreign countries visited in the head offices of the Board's Inspection Branch, and many of these also visited terminal points where they were shown how the inspection services function. The visitors included officials of foreign governments, men in private grain trade, and members of the Canadian Foreign Trade Service.

These visits are invaluable to trade relations; the effectiveness of the Canadian inspection system obviously makes a good impression on these people who play important roles in the marketing of our grain.

Western Division

Table D-1.—Carlot Inspections by Points, Crop Year 1959-60, compared with 1958-59

	1959-60	1958-59	1959-60	1958-59
			percent of total	
Fort William.....	155,380	144,666	57.1	53.8
Winnipeg.....	10,583	11,231	3.9	4.2
Churchill.....	12,109	10,712	4.5	4.0
Moose Jaw.....	2,879	3,547	1.1	1.3
Saskatoon.....	7,648	8,337	2.8	3.1
Calgary.....	5,472	4,864	2.0	1.8
Edmonton.....	1,782	3,108	0.7	1.2
Medicine Hat.....	2,577	1,981	0.9	0.7
Lethbridge.....	402	281	0.1	0.1
Prince Rupert.....	4,416	3,863	1.6	1.4
Vancouver.....	68,690	76,244	25.3	28.4
Totals.....	271,938	268,834	100.0	100.0

Table D-2.—Carlot Inspections, Crop Year 1959-60

Grade	Carlots	Percentage	Percentage of Total Wheat Inspected
WHEAT			
1 Manitoba Northern.....	2,491	1.4	—
2 Manitoba Northern.....	51,010	27.9	—
3 Manitoba Northern.....	57,888	31.7	—
4 Manitoba Northern.....	21,414	11.7	—
No. 4 Special.....	314	0.2	—
No. 5.....	7,378	4.0	—
No. 6.....	517	0.3	—
Feed.....	9	*	—
Garnet.....	125	0.1	—
Tough.....	25,038	13.7	—
Damp.....	12,136	6.6	—
Smutty.....	107	0.1	—
Rejected.....	4,248	2.3	—
Others Red Spring.....	90	*	—
Total Red Spring Wheat.....	182,765	100.0	92.5
1 Canada Western Amber Durum.....	15	0.1	—
2 Canada Western Amber Durum.....	4,383	31.5	—
3 Canada Western Amber Durum.....	4,683	33.7	—
Extra 4 Canada Western Amber Durum.....	2,628	18.9	—
4 Canada Western Amber Durum.....	1,553	11.2	—
5 Canada Western Amber Durum.....	74	0.5	—
6 Canada Western Amber Durum.....	3	*	—
Tough Durum.....	173	1.2	—
Others Durum.....	401	2.9	—
Total Amber Durum Wheat.....	13,913	100.0	7.1
Total Soft White Spring Wheat.....	171	—	0.1
Total Mixed Wheat.....	79	—	*
Total Alberta Winter Wheat.....	652	—	0.3
Total All Wheats.....	197,580	—	100.0

Table D-2.—Carlot Inspections, Crop Year 1959-60—Continued

Grade	Carlots	Percentage
OATS		
2 Canada Western.....	32	0.3
Extra 3 Canada Western.....	214	1.7
3 Canada Western.....	1,586	12.7
Extra 1 Feed.....	1,539	12.3
1 Feed.....	7,657	61.4
2 Feed.....	287	2.3
3 Feed.....	50	0.4
Mixed Feed.....	146	1.2
Tough.....	619	5.0
Damp.....	180	1.4
Rejected.....	73	0.6
Others.....	94	0.7
Total Oats.....	12,477	100.0
BARLEY		
1 Canada Western Six Row.....	18	*
2 Canada Western Six Row.....	2,006	4.3
3 Canada Western Six Row.....	13,504	28.8
4 Canada Western Six Row.....	3,872	8.3
1 Canada Western Two Row.....	26	0.1
2 Canada Western Two Row.....	660	1.4
3 Canada Western Two Row.....	3,134	6.7
1 Feed.....	13,565	29.0
2 Feed.....	3,489	7.4
3 Feed.....	350	0.7
Tough.....	4,590	9.8
Damp.....	1,132	2.4
Rejected.....	432	0.9
Others.....	74	0.2
Total Barley.....	46,852	100.0
RYE		
1 Canada Western.....	10	0.4
2 Canada Western.....	1,538	64.8
3 Canada Western.....	592	24.9
4 Canada Western.....	94	4.0
Ergoty.....	22	0.9
Tough.....	98	4.1
Damp.....	11	0.5
Rejected.....	8	0.3
Others.....	2	0.1
Total Rye.....	2,375	100.0
FLAXSEED		
1 Canada Western.....	6,014	66.8
2 Canada Western.....	443	4.9
3 Canada Western.....	174	1.9
4 Canada Western.....	50	0.5
Tough.....	1,393	15.5
Damp.....	731	8.1
Rejected.....	9	0.1
Others.....	195	2.2
Total Flaxseed.....	9,009	100.0

Table D-2.—Carlots Inspections, Crop Year 1959-60—Continued

Grade	Carlots	Percentage
Corn.....	94	—
Mixed Grain.....	124	—
Screenings.....	309	—
Buckwheat.....	13	—
Peas.....	112	—
Rapeseed.....	2,453	—
Sample Grain.....	48	—
Safflower Seed.....	96	—
Mustard Seed.....	343	—
Sorghum (U.S.A. Origin).....	35	—
Condemned Grain.....	18	—
Grand Total.....	271,938	—

* Less than 0.5%.

Table D-3.—Carlots of Tough, Damp and Straight Grain Inspected, Crop Year 1959-60

Grain	Tough	Damp	Tough and Damp	Straight	Total
Wheat.....	25,211	12,136	37,347	160,233	197,580
Oats.....	619	180	799	11,678	12,477
Barley.....	4,590	1,132	5,722	41,130	46,852
Rye.....	98	11	109	2,266	2,375
Flaxseed.....	1,393	731	2,124	6,885	9,009
Totals.....	31,911	14,190	46,101	222,192	268,293
Others.....	—	—	—	—	3,645*
All Grains.....	—	—	—	—	271,938
PERCENTAGE OF TOTAL					
	%	%	%	%	%
Wheat.....	12.8	6.1	18.9	81.1	100.0
Oats.....	5.0	1.4	6.4	93.6	100.0
Barley.....	9.8	2.4	12.2	87.8	100.0
Rye.....	4.1	0.5	4.6	95.4	100.0
Flaxseed.....	15.5	8.1	23.6	76.4	100.0
Principal Grains.....	11.9	5.3	17.2	82.8	100.0
Others.....	—	—	—	—	100.0*

* Details not available.

Table D-4.—Number of Two-Pound Samples "Subject to Grade and Dockage" Inspected, Crop Year 1959-60 compared with Crop Year 1958-59

Point	1959-60	1958-59
	Number of Samples	
Winnipeg.....	11,828	9,981
Calgary.....	2,526	1,258
Edmonton.....	2,518	1,275
Moose Jaw.....	51	126
Saskatoon.....	467	512
Lethbridge.....	1,238	465
Medicine Hat.....	—	10
Totals.....	18,628	13,627

Table D-7.—Vessel Shipments Inspected, Crop Year 1959-60

Grain	Fort William and Port Arthur	Vancouver	Victoria	Prince Rupert	Churchill	Total
	bu.	bu.	bu.	bu.	bu.	bu.
Wheat.....	188,059,889	92,272,420	2,821,795	—	22,111,400	305,265,504
Oats.....	29,193,409	2,719,179	14,889	—	37,600	31,965,077
Barley.....	58,477,765	22,941,616	—	8,895,404	—	90,314,785
Rye.....	4,033,693	312,134	—	—	—	4,345,827
Flaxseed.....	6,963,683	6,377,505	445,169	—	—	13,786,357
Buckwheat.....	23,544	—	—	—	—	23,544
*Sample Grain.....	361,617	—	—	—	—	361,617
*Screenings.....	2,940,751	33,352	—	—	114,861	3,088,964
*Canada Rapeseed.....	—	2,895,865	—	—	—	2,895,865
*Mustard Seed.....	—	496,836	—	—	—	496,836
*Mustard Seed (U.S.A. origin).....	—	11,105	—	—	—	11,105
**Safflower Seed.....	—	75,875	—	—	—	75,875
**Safflower Seed (U.S.A. origin).....	—	23,133	—	—	—	23,133
Totals.....	290,054,351	128,159,020	3,281,853	8,895,404	22,263,861	452,654,489

* In bushels of 50 lbs.

** In bushels of 45 lbs.

Table D-8.—Carlot Shipments ex Terminal Elevators Inspected, Crop Year 1959-60

Grain	Winnipeg	Fort William and Port Arthur	Calgary	Edmonton	Moose Jaw
Wheat.....	95	1,413	780	1,302	88
Oats.....	255	990	16	144	67
Barley.....	261	704	1,175	27	11
Flaxseed.....	11	355	3	29	10
Rye.....	2	50	—	2	2
Mixed Grain.....	18	—	1	—	—
Corn.....	7	—	—	—	—
Buckwheat.....	3	4	—	—	—
Peas.....	33	—	—	—	—
Screenings.....	431	2,615	188	143	88
Rapeseed.....	—	36	77	243	1
Sample Feed Grain.....	10	—	36	—	16
Mustard Seed.....	—	—	—	—	—
Sample Grain.....	—	23	—	—	—
Oats Groats.....	—	2	—	—	—
Totals.....	1,126	6,192	2,276	1,890	283

Grain	Saskatoon	Lethbridge	Medicine Hat	Vancouver, Victoria and Prince Rupert	Churchill
Wheat.....	587	124	1	530	—
Oats.....	49	—	—	175	—
Barley.....	1	—	—	137	—
Flaxseed.....	22	15	46	7	—
Rye.....	—	1	—	9	—
Mixed Grain.....	2	—	—	6	—
Corn.....	—	—	—	—	—
Buckwheat.....	—	—	—	—	—
Peas.....	—	—	—	—	—
Screenings.....	470	2	—	1,144	47
Rapeseed.....	513	—	—	7	—
Sample Feed Grain.....	—	—	—	—	—
Mustard Seed.....	—	14	—	28	—
Totals.....	1,644	156	47	2,043	47

Eastern Division

Table D-9.—Carlot Inspections Eastern Grain, Crop Year 1959-60, by Grains and Points

Grain	Montreal	Toronto	Chatham	Total
Wheat.....	—	340	1,562	1,902
Oats.....	—	1	69	70
Barley.....	—	2	133	135
Rye.....	—	—	15	15
Buckwheat.....	6	—	4	10
Corn.....	—	1	1,573	1,574
Beans.....	—	—	174	174
Soybeans.....	—	71	1,478	1,549
Totals.....	6	415	5,008	5,429

Table D-10.—Carlot Inspections Eastern Grain, Crop Year 1959-60, by Grains, Grades and Points

Grades	Montreal	Toronto	Chatham	Total
WHEAT				
1 Canada Eastern White Winter.....	—	3	122	125
2 Canada Eastern White Winter.....	—	199	757	956
3 Canada Eastern White Winter.....	—	18	76	94
4 Canada Eastern White Winter.....	—	3	3	6
5 Canada Eastern White Winter.....	—	—	1	1
1 Canada Eastern Mixed Winter.....	—	—	30	30
2 Canada Eastern Mixed Winter.....	—	3	17	20
3 Canada Eastern Mixed Winter.....	—	—	1	1
Tough.....	—	55	455	510
Smutty.....	—	8	1	9
Weevilly.....	—	46	85	131
Damp.....	—	—	2	2
Sample.....	—	5	12	17
Totals.....	—	340	1,562	1,902

OATS

3 Canada Eastern.....	—	—	23	23
4 Canada Eastern.....	—	1	37	38
5 Canada Eastern.....	—	—	1	1
Tough.....	—	—	6	6
Sample.....	—	—	1	1
Condemned.....	—	—	1	1
Totals, Oats.....	—	1	69	70

BARLEY

2 Canada Eastern Six Row.....	—	—	6	6
3 Canada Eastern Six Row.....	—	—	114½	114½
4 Canada Eastern.....	—	2	7½	9½
5 Canada Eastern.....	—	—	1	1
Tough.....	—	—	3	3
Sample.....	—	—	1	1
Totals, Barley.....	—	2	133	135

Table D-10.—Carlot Inspections Eastern Grain, Crop Year 1959-60, by Grains, Grades and Points—Concluded

Grade	Montreal	Toronto	Chatham	Total
RYE				
2 Canada Eastern.....	—	—	7	7
Tough.....	—	—	8	8
Totals, Rye.....	—	—	15	15
BUCKWHEAT				
Tough.....	5	—	2	7
Damp.....	1	—	2	3
Totals, Buckwheat.....	6	—	4	10
CORN				
Extra Dry 1 Canada Eastern Yellow.....	—	—	99	99
1 Canada Eastern Yellow.....	—	—	460	460
Extra Dry 2 Canada Eastern Yellow.....	—	—	71	71
2 Canada Eastern Yellow.....	—	—	211	211
Extra Dry 3 Canada Eastern Yellow.....	—	—	11	11
3 Canada Eastern Yellow.....	—	—	22	22
Extra Dry 4 Canada Eastern Yellow.....	—	—	3	3
4 Canada Eastern Yellow.....	—	—	1	1
Extra Dry 5 Canada Eastern Yellow.....	—	—	1	1
5 Canada Eastern Yellow.....	—	—	1	1
Tough.....	—	—	168	168
Damp.....	—	1	400	401
Moist.....	—	—	123	123
Wet.....	—	—	1	1
Sample.....	—	—	1	1
Totals, Corn.....	—	1	1,573	1,574
BEANS				
Extra 1 Canada Eastern Pea.....	—	—	1	1
1 Canada Eastern Pea.....	—	—	131	131
2 Canada Eastern Pea.....	—	—	23	23
3 Canada Eastern Pea.....	—	—	9	9
4 Canada Eastern Pea.....	—	—	1	1
2 Canada Eastern Light Red Kidney.....	—	—	7	7
3 Canada Eastern Yellow Eye.....	—	—	1	1
4 Canada Eastern Yellow Eye.....	—	—	1	1
Totals, Beans.....	—	—	174	174
SOYBEANS				
1 Canada Yellow.....	—	—	312	312
2 Canada Yellow.....	—	42	505	547
3 Canada Yellow.....	—	2	61	63
4 Canada Yellow.....	—	—	12	12
5 Canada Yellow.....	—	—	1	1
Tough.....	—	22	450	472
Damp.....	—	5	106	111
Moist.....	—	—	26	26
Wet.....	—	—	4	4
Sample.....	—	—	1	1
Totals, Soybeans.....	—	71	1,478	1,549
Totals, All Grains.....	6	415	5,008	5,429

Table D-11.—Cargo Inspections, Eastern Grain, Crop Year 1959-60

Grain	St. John and Halifax	Montreal	Toronto	Chatham	Total
	bu.	bu.	bu.	bu.	bu.
Oats.....	—	38,285	—	—	38,285
Corn.....	—	—	—	633,311	633,311
Soybeans.....	—	18,666	226,700	2,586,067	2,831,433
Totals.....	—	56,951	226,700	3,219,378	3,503,029

Table D-11A.—Cargo Inspections, Western Grain, Crop Year 1959-60

Grain	St. John and Halifax	Montreal	Toronto	Chatham	Total
	bu.	bu.	bu.	bu.	bu.
Buckwheat.....	—	47,366	—	—	47,366
Flaxseed.....	559,870	360,237	—	—	920,107
Rapeseed.....	—	35,654	—	—	35,654
Peas.....	21,251	54,530	—	—	75,781
Totals.....	581,121	497,787	—	—	1,078,908

Table D-12.—Inspections, Eastern Grain in Bins, Trucks or Warehouses, Crop Year 1959-60

Grain	Montreal	Toronto	Chatham	Total
	bu.	bu.	bu.	bu.
Wheat.....	—	—	850	850
Oats.....	199,340	—	—	199,340
Buckwheat.....	62,399	—	—	62,399
Corn.....	—	—	500	500
Beans.....	—	1,000	393,758	394,758
Soybeans.....	—	—	99,826	99,826
Totals.....	261,739	1,000	494,934	757,673

Table D-12A.—Inspections, Western Grain in Bins, Trucks or Warehouses, Crop Year 1959-60

Grain	Montreal	Toronto	Chatham	Total
	bu.	bu.	bu.	bu.
Rapeseed.....	3,360	—	—	3,360
Mustard Seed.....	2,000	—	—	2,000
Totals.....	5,360	—	—	5,360

**Table D-13.—Inward and Export Cargoes Sampled and Grade Checked,
Crop Year 1959-60.**

	Montreal	Sorel	Three Rivers	Quebec	Halifax and St. John	Total
	bu.	bu.	bu.	bu.	bu.	bu.
EASTERN GRAIN						
Inward.....	2,665,714	—	—	—	—	2,665,714
Export.....	2,375,037	—	—	—	111,875	2,486,912
WESTERN GRAIN						
Inward.....	28,098,636	—	—	—	—	28,098,636
Export.....	56,224,786	16,959,684	11,127,948	8,503,928	24,555,277	117,371,623
Totals.....	89,364,173	16,959,684	11,127,948	8,503,928	24,667,152	150,622,885

Table D-14.—Grain Sampled but not Inspected, Crop Year 1959-60

	Montreal	Toronto and Chatham	Sorel, Three Rivers and Quebec	Halifax and St. John	Total
EASTERN GRAIN					
Carlots.....	3	—	—	—	3
Inward Cargoes (bu.).....	—	—	—	—	—
Outward Cargoes (bu.).....	11,886	—	—	—	11,886
Bin Lots (bu.).....	27,048	—	—	—	27,048
WESTERN GRAIN					
Carlots.....	230	4	—	—	234
Inward Cargoes (bu.).....	142,726	—	216,575	—	359,301
Outward Cargoes (bu.).....	1,132,781	—	380,240	484,674	1,997,695
Bin Lots (bu.).....	327,230	9,948	677,708	—	1,014,886
U.S.A. GRAIN					
Carlots.....	248	—	—	—	248
Inward Cargoes (bu.).....	1,547,480	—	375,804	—	1,923,284
Outward Cargoes (bu.).....	10,120,503	—	348,602	—	10,469,105
Bin Lots (bu.).....	116,674	—	—	—	116,674
Totals—Cars.....	481	4	—	—	485
—Bushels.....	13,426,328	9,948	1,998,929	484,674	15,919,879

APPENDIX E

Grain Weighing Branch

J. J. MANSON, *Chief Grain Weighman*

Under the provisions of Sections 33 and 124 of the Canada Grain Act, all grain received into or shipped from licensed terminal elevators is weighed under supervision of the Board's weighing staffs. Weighing services are also provided at licensed mill elevators in the Western Division.

During the Crop Year 1959-60 services were provided at forty-five semi-public and private terminal elevators and when required, at twenty-nine mill elevators in the Western Division.

All scales and equipment for transferring grain to scales on receipt and from scales for shipment in all licensed terminal elevators and serviced mill elevators were regularly inspected during the crop year under provision of Section 92 of the Act.

In accordance with the special arrangement with the Standards Branch of the Department of Trade and Commerce, all scales in licensed terminal and eastern elevators were inspected, verified and stamped by the Board's Scale Inspector acting as an inspector under the Weights and Measures Act.

A semi-annual inspection was also made of all scales in terminal elevators to ascertain if scales were maintaining their accuracy. Special inspections were made when any doubt arose as to the accuracy of any scale.

Attention has been given to alterations in elevators and dust control installations to ensure that such changes or alterations do not affect the accuracy of the weighing of grain received at or shipped from these elevators.

The bringing into operation of the Deep Seaway has enabled deep sea vessels to proceed to the Lakehead to load grain cargoes. In this connection, several of the Lakehead elevators and particularly new constructions, are changing their systems of loading in an endeavour to better facilitate the loading of deep sea ships.

A new type of steel tank storage bin is being constructed at one of the Port Arthur elevators.

During the crop year under review, 273,201 carlots of grain were weighed on receipt at terminal and mill elevators in the Western Division, and of these carlots, 54,986 or 20.1% were reported leaking and 5,730 or 2.1% were reported without seals or had defective seals. There was also a total of 16,793 cars weighed out of terminals.

The Branch maintained a close checking of reported outturns at eastern elevators of cargoes loaded at Lakehead elevators and investigations were made in cases of reported excessive shortages with a view to assessing the liability where such could be established.

Under the provisions of Sections 139 and 140 of the Canada Grain Act, weighovers were conducted at twenty-five terminal elevators and twenty eastern elevators. Results of weighovers were submitted to the Board for comparison with records of outstanding warehouse receipts and preparation of official statements. The Board found it necessary to defer several terminal and eastern elevator audits due to heavy stocks of grain in store.

Table E-1.—Gross Quantities of all Grains Weighed at Terminal Elevators in the Western Division during 1959-60 Crop Year

Point	Wheat	Oats	Barley	Rye	Flaxseed	Canadian Corn	Canadian Buckwheat	Miscellaneous
	bu.	bu.	bu.	bu.	bu.	bu.	bu.	lb.
RECEIPTS								
Fort William-Port Arthur.....	206,693,871	26,682,763	60,419,965	3,989,423	9,065,809	—	30,846	18,739,990
Vancouver-New Westminster.....	92,045,093	271	23,237,522	369,365	5,986,018	—	—	171,521,480
Victoria.....	3,042,524	2,681,554	207	283	422,474	—	—	—
Prince Rupert.....	—	—	9,535,127	—	—	—	—	—
Churchill.....	22,261,797	1,110	—	—	—	—	—	—
Calgary.....	1,609,020	—	1,991,447	—	5,468	—	—	8,888,880
Edmonton.....	2,006,200	46,031	47,288	—	5,239	4,259	—	15,943,590
Lethbridge.....	360,979	—	—	1,664	31,949	—	—	1,487,960
Moose Jaw.....	7,600	151,124	2,058	1,604	1,422	—	—	89,000
Saskatoon.....	259,820	45,207	—	—	35,511	—	—	59,532,490
North Transcona.....	114,118	23,356	26,805	4,096	1,467	—	—	751,020
Total Receipts	328,401,022	29,631,416	95,260,419	4,366,435	15,555,357	4,259	30,846	276,954,410
SHIPMENTS								
Fort William-Port Arthur.....	188,385,069	31,157,117	64,183,820	4,111,394	7,601,449	—	30,508	335,055,520
Vancouver-New Westminster.....	92,865,941	3,421,148	23,255,373	326,984	6,296,048	—	—	293,336,990
Victoria.....	2,859,621	17,966	2,802	—	444,082	—	—	5,168,780
Prince Rupert.....	—	—	8,896,325	—	—	—	—	4,877,790
Churchill.....	21,700,046	175,953	—	—	—	—	—	8,466,640
Calgary.....	1,544,207	6,476	2,071,606	—	5,468	—	—	4,174
Edmonton.....	2,289,059	63,521	39,816	—	4,174	7,085	—	9,951,380
Lethbridge.....	281,712	—	—	1,664	30,089	—	—	17,332,000
Moose Jaw.....	28,123	151,046	2,058	1,604	1,422	—	—	813,890
Saskatoon.....	1,061,183	11,059	—	—	34,838	—	—	89,410
North Transcona.....	80,934	56,561	35,434	4,096	1,467	—	—	61,034,500
Total Shipments	311,095,895	35,060,847	98,487,234	4,445,742	14,419,037	7,085	30,508	736,804,340

Table E-2.—Number of Cars Leaking and Cars with Missing Seals at the Lakehead, Other Points and at Winnipeg Yards, by Railways, for the Crop Year 1959-60

Destination	Cars Leaking		Missing Seals	
	C.N.R.	C.P.R.	C.N.R.	C.P.R.
Lakehead Elevators and Yards.....	20,317	17,835	2,047	1,485
Other Points.....	8,888	7,946	1,331	867
Totals.....	29,205	25,781	3,378	2,352
Totals—Both Railways.....	54,986		5,730	
Winnipeg Yards.....	920	764	591	614

Table E-3.—Number of Cars Weighed at all Points and Percentage of such Cars found Leaking or with Defective Seals, Crop Years 1958-59 and 1959-60

	Number		Percentage of Total	
	1959-60	1958-59	1959-60	1958-59
Cars Weighed In.....	273,201	273,651	100.0	100.0
Inward Cars Leaking.....	54,986	51,322	20.1	18.7
Inward Cars with Missing or Defective Seals..	5,730	5,755	2.1	2.1
Cars Weighed Out.....	16,793	21,125	—	—

Table E-4.—Average Reported Outturn Shortages on Vessel Shipments of Grain from Fort William-Port Arthur to Canadian and United States Ports during the 1959-60 Crop Year

Grain	Bushels Shipped	Shortage in Pounds per 1,000 bushels	
		1959-60	1958-59
CANADIAN PORTS			
Wheat.....	152,844,243	32.09	30.49
Durum Wheat.....	25,238,458	35.43	35.18
Oats.....	28,920,511	24.98	23.07
Barley.....	37,613,033	33.66	27.44
Rye.....	777,428	36.68	55.45
Flaxseed.....	5,195,746	40.35	33.65
Buckwheat.....	—	—	24.00
Sample Grain (in lbs.).....	19,166,210	.60 lbs. per 1,000 lbs.	.49 lbs. per 1,000 lbs.
Screenings (in tons).....	36,617	1.32 lbs. per ton	1.29 lbs. per ton
UNITED STATES PORTS			
Wheat.....	2,623,006	62.52	77.02
Oats.....	67,970	12.50	23.17
Barley.....	13,426,245	53.56	49.63
Rye.....	3,290,289	52.58	77.46
Screenings (in tons).....	34,590	—	—
TOTAL CANADIAN AND UNITED STATES PORTS			
Wheat.....	155,467,249	32.09	31.58
Durum Wheat.....	25,238,458	35.43	35.18
Oats.....	28,988,481	24.89	23.17
Barley.....	51,039,278	38.89	31.53
Rye.....	4,067,717	49.53	70.28
Flaxseed.....	5,195,746	40.35	33.65
Buckwheat.....	—	—	24.00
Sample Grain (in lbs.).....	19,166,210	.60 lbs. per 1,000 lbs.	.49 lbs. per 1,000 lbs.
Screenings (in tons).....	71,207	.71 lbs. per ton	.76 lbs. per ton

The CHAIRMAN: Appendices B, C, D and E agreed to.

Mr. McCONNELL: On page 55 there are two things which should be mentioned. Most of the companies, under the labour statutes of the province of Ontario, have had to spend large amounts of money for ventilation and dust installations because of the explosion which took place at the lakehead. We are watching it with a great deal of interest; and I think the Manitoba pool is building from \$3½ to \$5 million of new space in steel tanks. These will be the first steel tanks for storage we have ever had at the lakehead.

Mr. HORNER (*Acadia*): Are they to be floating?

Mr. McCONNELL: No. I do not know what the capacity is, but we have had no storage in steel tanks before. They are big, round, Butler-type of buildings, with two million capacity.

Mr. MacLEOD:

APPENDIX F

The Grain Research Laboratory

J. ANSEL ANDERSON, *Director*

Section 22 of the Canada Grain Act requires that "the Board shall maintain an efficient and adequately equipped laboratory for research work in relation to grain."

The following summary of the Laboratory's work for 1960 deals with the quality of Canadian grain marketed in the 1959-60 crop year, the quality of 1960 grain crops, and research and other activities. In accordance with previous practice, a separate annual report will be published by the Laboratory to put on record data on the quality of Canadian grain and progress made in research.

Quality of Grain Marketed in 1959-60

Throughout the crop year, the Laboratory continued to study the quality of spring wheat, durum wheat, barley, flax and other cereal grains at various stages of marketing. Detailed data obtained in these studies will be reported in the Laboratory's 1960 Annual Report.

Protein content of Canadian wheat has averaged about 14% for four successive years; accordingly, wheat from the carryover and wheat from the 1959 crop provided ample supplies of high quality grain throughout the 1959-60 crop year. Compared to the previous crop year, wheat marketed in 1959-60 was slightly higher in protein content and a little lower in bushel weight. Baking absorption and baking strength were high and supporting value was good. The relation between dough elasticity and extensibility was satisfactory. Wheat shipped from Pacific ports was more variable in quality than wheat shipped from Atlantic ports. Durum wheat marketed in 1959-60 was high in protein content but slightly lower in bushel weight than last year. Macaroni-making quality was excellent and rheological properties were somewhat better for the lower grades in this crop year. Malting barley was slightly lower in bushel weight, yield of plump barley, and yield of malt extract, than in 1958-59. Flax and rapeseed shipments were higher in average quality compared to those of the previous crop year.

Estimated Quality of 1960 Crops

Good moisture reserves and adequate spring rainfall got 1960 western grain crops away to an excellent start, but near-drought conditions that began in mid-July and continued throughout the remainder of the growing season reduced prospects of above-average yields. Most crops stood up surprisingly well to the drought, and harvesting was completed by mid-October under ideal weather conditions. Estimates of production for 1960 western crops are: wheat, 470 million bushels (including 16.3 million bushels of durum wheat); barley, 201 million bushels; flax 24.9 million bushels; and rapeseed, 551 million pounds. There was very little tough and damp grain, and crops were practically free of the various types of damage associated with adverse harvesting weather.

The Hard Red Spring wheat crop is high in grade, protein content, baking strength and supporting value. Compared to 1959-60 fourth quarter cargo shipments, bushel weight is lower this year, but the Northern grades mill very well and give high yields of flour of good color and satisfactory ash. Baking absorption and gassing power are both satisfactory, and doughs handle well during the baking process. Physical dough tests show a good balance between extensibility and elasticity. Average protein content at 14.2% is equal to the third highest on record. About 85% of the wheat will grade No. 2 and No. 3 Northern; there will be some No. 4 Northern but very little No. 1 Northern. The 1960 crop will ensure continued supplies of high-quality grain in commercial channels during the current crop year.

The Amber Durum wheat crop will be predominantly No. 2 and No. 3 C.W., about 10% will grade Extra No. 4 C.W. and there will be very small amounts of No. 1 and No. 4 C.W. The crop is high in protein, a little higher in bushel weight for the top grades than last year, but kernel weight is lower. The wheat is vitreous, mills well, and gives good yields of semolina. Yellow pigment is high and rheological properties and macaroni quality are excellent. As the new crop becomes blended with wheat in the carryover, protein content and macaroni color will be maintained and rheological properties will be improved, particularly in the lower grades.

The barley crop withstood the lack of moisture fairly well. Compared to last year, bushel weight is lower and nitrogen is higher which will result in a reduced yield of malt extract. Yield of plump barley will be high in the Six-row grades. A reduction in the tolerance for peeled and broken kernels and the introduction of a sieving test into the grading system on August 1, 1960, will contribute to a better class of barley for domestic use and for export.

The flax crop is of good average quality but the quality of the rapeseed crop was reduced by the drought conditions. Average results for the flax crop show that oil content is 41.4%, iodine value is 186 units, and protein content is 45.7%. Average results for the rapeseed crop are 41.3% oil and 43.2% protein.

Bulletins and Maps

Quality information for different grades of 1960 western grain crops was presented at the October meeting of the Committee on Western Grain Standards and later was published in maps and crop bulletins, i.e., two wheat protein maps (preliminary and final—5,200 copies); two bulletins on wheat (11,400 copies); one bulletin on barley (4,000 copies); and one bulletin on flax and rapeseed (1,000 copies). Distribution of these publications is made by mail and over the counter by the Laboratory, and also by the Canadian Wheat Board, the Grain Division, Department of Trade and Commerce, Ottawa, and Canadian Government Trade Commissioners. The Bulletin "Canadian Wheat 1959" was also distributed by Canadian representatives at the Netherlands Baking Foundation (NEBATO) Exhibition in Amsterdam last spring. Press releases preceded publication of all these reports.

Publication of the two quarterly bulletins (one on red spring wheat cargoes and one on durum wheat cargoes) was continued to the end of the 1959-60 crop year. Beginning with the first quarter of the 1960-61 crop year these two bulletins were published in English, French, German and Spanish instead of in English only. It is hoped that this important change will bring the bulletins to the attention of a greater number of readers in more countries. Distribution of quarterly bulletins will continue to be made by Canadian Government Trade Commissioners, who receive their supplies direct by air mail, and by the Laboratory.

Service to Grain Inspection Branch

During the year the Laboratory continued to work closely with the Grain Inspection Branch by providing such services as are required to aid in grading and associated problems. The more important work dealt with the quality tests on dried wheat, preliminary tests on samples that were used to make up Standard samples, and detailed quality studies on tentative Standard and Standard Export samples. Supervision of moisture-testing equipment in Inspection Offices continued as one of the Laboratory's main services to the Inspection Branch. Seventy-five CAE moisture meters have been installed in the various Inspection Offices. The meter has been calibrated for red spring wheat, barley, oats, flax and rapeseed, and it is now used almost exclusively for moisture tests on these grains. A regular check test system has been instituted, and results have shown that meters are being operated with a high degree of accuracy.

Other work for the Inspection Branch included: mercury detection in grain treated with mercurial fungicides, lipoxidase determinations on durum wheat, fatty acid tests on oil seeds, and a study of the relation between oil content of rapeseed and seed size.

Grain Drying 1959 Crop

The wet weather during the 1959 harvest was reminiscent of 1951 when nearly half the crop delivered was tough or damp. Over 53 million bushels of the 1959 crop were dried at Canadian terminal elevators, an estimated 5 million bushels of wheat were dried on farms, and about 56 million bushels of unthreshed wheat were left in the field under the snow all winter; most of this wheat however, was threshed in a dry condition in the spring of 1960.

The Laboratory provided a quality testing service for samples from three sources; Terminal elevator dryers, farm drying, and Inspection Office (carlots, cargoes, etc.). All Laboratory tests on dried wheat were made by a special Mixograph technique on corresponding before-drying and after-drying samples. When necessary, milling and baking tests were used to confirm the results.

As drying operations at terminal elevators are under the supervision of the Board's Inspection Branch, there was no difficulty in introducing previously established control procedures. Tests were made on samples from each elevator as soon as drying operations were started and were continued until satisfactory drying was established; periodic tests were made thereafter. The major difference between 1959 and 1951 drying operations was that the 1959 wheat was sometimes higher in moisture content. This necessitated a readjustment (principally a lowering of air temperature) of dryers at some elevators to assure safe drying conditions. All dryers installed at Lakehead and Pacific terminals were inspected by personnel from the Laboratory and the Inspection Branch.

In 1959, as in 1951, the Laboratory was faced with the problem of farm drying. Because of congestion in country elevators, farmers were unable to make immediate delivery of their tough and damp grain, and many purchased dryers. Since 1951, farm dryers have undergone further development in the United States where most of them are manufactured. There are many different makes; they are mostly portable recirculating batch dryers fired by propane gas, holding capacity ranges between 200 and 400 bushels, and the cost varies from about \$3,000 to \$6,000. In 1959 there were 14 different makes in use in Canada, comprising a total of 269 dryers, and most of them were in operation in the northern half of Saskatchewan and in northern and western Alberta. As was to be expected, many of the dryers were improperly operated when first put into use, thereby causing considerable damage to the

quality of the grain. To help farmers establish safe drying conditions the Laboratory offered a free testing service on before- and after-drying samples, publicity material was prepared and distributed, radio and television talks were given to warn farmers of the danger of spoiling grain by improper drying, and areas where the problem was most acute were visited by Laboratory personnel. A review of the Laboratory tests shows that there was a marked improvement as farm drying operations progressed.

The Laboratory also co-operated with the Agricultural Machinery Administration Branch of the Saskatchewan government in testing five main makes of farm dryers at their proving grounds in Regina. Results of tests are published in Saskatchewan government A.M.A. publications.

As farm-dried grain would eventually find its way into carlots, the Laboratory set up a program of testing carlots originating at stations in areas where farm drying was being done and which were suspected of containing dried grain. At the outset, a rapid stain test for detecting dried grain, developed by the Laboratory, was used by the Inspection Branch, but experience showed that although the test was positive for barley it was not foolproof for wheat. In these circumstances inspectors had to rely on their judgment in deciding whether a carlot might contain dried wheat and warrant further testing.

The number of tests made by the Laboratory in controlling drying operations during the 1959-60 crop year were as follows: Terminal elevators 840 (1,680 samples); farm dryers 658 (1,316 samples); and inspection samples, carlots, etc. 810. The total number of samples tested was thus 3,806.

Variety Testing

The Laboratory has continued to take a leading part in quality tests of varieties of spring wheat, durum wheat, western winter wheat, and malting barley developed by Canadian plant breeders; these annual studies are sponsored by the Associate Committee on Grain Research. Large seed supplies of Pembina and Canthatch (the two new bread wheat varieties licensed in 1959) have been built up for commercial production in 1961, and it is estimated that 200,000 bushels of Pembina and 450,000 bushels of Canthatch are in farmers' hands for spring seeding. As Pembina is more resistant to both stem and leaf rust than Selkirk, it is expected that the former will displace the latter in some parts of Manitoba and eastern Saskatchewan. Similarly, Canthatch will probably displace Thatcher in some of the other areas in Saskatchewan because of its greater stem rust resistance. Neither of these two varieties is expected to be grown to any extent in Alberta where Thatcher is the predominant variety.

Studies of varieties grown in the Uniform Quality Nursery have been continued, and Canadian plant breeders have been kept informed of the results. This information is utilized for selecting parent stock that combines desired agronomic characteristics with promising qualities. As in the past, the Laboratory has continued to participate in quality studies of wheat varieties grown in the United States under the auspices of the Crop Quality Council, formerly the Northwest Crop Improvement Association. Canadian as well as United States varieties are usually in these tests.

Three new barley varieties (Betzes, Palliser and Jubilee) were licensed by the Canada Department of Agriculture this year for release to farmers. Betzes, an introduction from Poland, is a Two-row rough-awned barley that is eligible for the malting grades. Palliser, which originated from the cross Vantage x Compana, is a Two-row smooth-awned variety that can grade no higher than No. 3 C.W. Two-row. Both varieties are suitable agronomically for growing in southwest Saskatchewan and southeast Alberta, and it is likely that they will replace Compana. Jubilee is a high-yielding rust-

resistant Six-row feed-type barley produced from a cross in which Peatland, Regal, O.A.C.21, and Husky were parents. It is adaptable over a wide area in the central prairies. As there is increasing interest in Two-row barley for production in Western Canada, studies are in progress on some of the newer varieties from Europe. Their malting properties are being examined to determine their suitability as parent stock in the breeding program.

Services to Other Organizations

As in the past the Laboratory's services and technical advice have been given to the Canadian Wheat Board, Commercial Counsellors and Trade Commissioners, and other Government agencies. Much of this work relates to promotion of sales of Canadian grain and plans have been made for an expansion of this program. Comparative quality tests on Canadian wheat and competing wheats from other countries continue to be made in a systematic manner, and the Canadian Wheat Board is informed of the results.

Co-operation in some projects has been maintained with the Brewing and Malting Barley Research Institute, Winnipeg, with the Crop Quality Council, Minneapolis, with certain branches of the Canada Department of Agriculture, and with Canadian grain companies. The Laboratory has continued active participation in the work of the American Association of Cereal Chemists and the International Association for Cereal Chemistry.

Research

Considerable improvement in the facilities and program of basic research has taken place during the year. This is consistent with the generally accepted policy that the Board's Research Laboratory should serve as the principal Canadian centre for research on cereal grain. Modern facilities for studies of the physical chemistry of wheat proteins, amino acid analysis, and lipid chemistry are being acquired.

Further progress has been made in basic research on the physical properties of dough (rheology), an area in which the Laboratory enjoys a high reputation among cereal laboratories in other countries. Kinetic studies of the reaction of bromate in dough are providing basic information on dough chemistry. Considerable success has been achieved in research on the chemistry of lipides in flour and their role in determining the quality of flour.

In applied research on wheat, further improvements have been made in experimental milling techniques, and for hard red spring wheat, results are now equal to those obtained by top commercial mills; research is now being directed to achieving similar performance in milling semolinas from durum wheats. The study of wheat conditioning techniques has been proceeding concurrently with this program. A program of research is once again under way on durum quality, seeking more effective means of measuring and expressing macaroni color. With the recent acquisition of suitable equipment, the investigation of the mechanism of flour deterioration during storage is being reopened. Again this year a number of smaller research projects have been carried out in connection with problems raised by local crop conditions or by overseas buyers.

The four additional malting units for use in barley research have been completed and will be in operation shortly. This completes the program of construction begun several years ago, and provides improved facilities for both service studies and research. During the past year, investigations of varieties of different wort nitrogen content indicate that low wort nitrogen in varieties is accompanied by basic deficiencies, probably of enzymatic nature, which cause reduced brewhouse yield and wort fermentability. Two

cytolytic enzyme systems that differ widely in ratio of viscosity-decreasing activity to saccharide-production activity have been isolated and are under study. As barley anthocyanogen pigments have been recently implicated in production of chill haze in beer, studies on the occurrence of these in Canadian barleys and malts are now under way, and varietal differences in rate of pigment degradation during mashing have been established. In this area, information is being exchanged with the Haze Committee of the European Brewery Convention.

During the year 13 scientific papers dealing with the more basic aspects of research in the Laboratory have been published or have been accepted for publication in scientific journals.

Staff and Facilities

Dr. Narayanan of the Central Food Technological Research Institute, Mysore, India, who, a year ago, received a National Research Council Post Doctorate Fellowship, tenable in the Laboratory, was given an additional award for another year to make it possible for him to continue his studies on lipides and antioxidants under Dr. Hlynka. Mr. R. R. Matsuo is continuing his leave at the University of Alberta where he is studying for a Ph.D degree. Dr. E. J. Bass resigned his position as chemist, after 12 years of service in the Laboratory, to take a senior position with the International Milling Company, Minneapolis. Miss Jean McMullan resigned her position to be married, and Mrs. Cecylia Marek replaced her on the professional staff. One of the two positions for summer students was filled by Mr. Barry McLennan. Several resignations and additions also occurred in the sub-professional staff.

Additional space acquired during the year is being outfitted into an office and laboratory area. The durum wheat equipment will be moved into this area to relieve overcrowding in the baking section.

Overseas Visits and Visitors

In the late spring Dr. Anderson went overseas to attend three scientific meetings: the Congress of International Association for Cereal Chemistry in Vienna, Austria (Dr. Anderson was president of this society); the Scandinavian Association of Cereal Chemists in Oslo, Norway; and the Netherlands Section of Belgian-Netherlands Association for the Study of Cereals, Wageningen. His itinerary also included visits to the Scandinavian countries, Switzerland, Belgium and the United Kingdom. In the fall of the year Dr. Anderson accompanied the Chief Commissioner to Japan and Hong Kong. From there he went to Australia to attend the meeting of the Royal Australian Chemical Institute at Leura. Dr. Anderson also visited wheat-growing areas in northern New South Wales and southern Queensland to study production, handling and storage of Australian grain. The wheat industry in New Zealand was also studied during a short visit to both North and South Islands. Research institutions were visited in both countries and addresses were given to various groups of millers, bakers and cereal chemists.

Dr. Irvine represented the Board of Grain Commissioners at the Netherlands Bakery Foundation (NEBATO) Exhibition in Amsterdam early in the spring. After the meeting, he visited mills, bakeries and research institutions in the United Kingdom, France, Germany and Belgium.

The Laboratory was visited by missions from India, Peru and the Federal Republic of Germany. There were also visitors from the Far and Middle East, Europe, South America, South Africa, New Zealand, Australia, United Kingdom, and U.S.A.

The CHAIRMAN: Appendix F agreed to.

Mr. HORNER (*Acadia*): Under shipments I note that they are always very low from the Moose Jaw interior elevator. What is the reason for that?

Mr. McCONNELL: The simple reason is because we have been carrying a lot and have had more active movement out of the west coast. Some of that grain must be anywhere from four to six years old. However it is clean and ready to ship. And moreover we have been earning storage on it. But there has not been much turnover in volume.

Mr. HORNER (*Acadia*): What can be done about it?

Mr. McCONNELL: It is again up to the wheat board. If they do not order it out, we have nothing to do with it, except that we continue to earn storage. But I believe it is moving now.

Mr. MacLEOD:

APPENDIX G

Canadian Government Elevators

A. E. JACOBSON, *General Manager*

In accordance with the provisions of Section 166 of the Canada Grain Act and Order-in-Council P.C. 1372 of August 19, 1925, the Board manages and operates five interior terminal elevators at Moose Jaw, Saskatoon, Calgary, Edmonton and Lethbridge, and one terminal elevator at Prince Rupert, and leases one terminal elevator at Port Arthur.

In the 1959-60 crop year, interior and Prince Rupert elevators continued to be operated under a Semi-Public Terminal Elevator License. Port Arthur continued under lease to McCabe Grain Company Limited.

Handlings

Receipts in 1959-60 were 7.8% lower than in 1958-59 (17.4 million bushels, 18.9 million bushels). Shipments were up by 8.5% (18.1 million bushels, 16.7 million bushels) which is reflected in a lower in-store figure at the end of the crop year. Wheat receipts were 4.1 million bushels (24% of total receipts) and barley receipts were 11.6 million bushels (66% of total receipts). Thus, wheat and barley totalled 90% of all receipts. Receipts of rapeseed dropped from 4.6 million in 1958-59 to 1.6 million in 1959-60. Rapeseed was handled at Saskatoon, Calgary and Edmonton; Prince Rupert handled barley only. Receipts and shipments by elevator were as follows:

Elevator	Capacity	Stocks August 1, 1959	Net Receipts	Net Shipments	Stocks July 31, 1960	Audit Adjust- ments
	million bu.	bu.	bu.	bu.	bu.	bu.
Moose Jaw.....	5.50	5,395,723	165,297	185,820	5,375,200	—
Saskatoon.....	5.50	4,379,042	1,396,786	2,235,011	3,540,817	—
Calgary.....	2.50	1,005,479	3,679,424	3,787,733	896,512	-658
Edmonton.....	2.35	1,248,953	2,268,420	2,689,304	828,003	- 66
Lethbridge.....	1.25	950,371	434,064	336,684	1,047,751	—
Prince Rupert.....	1.25	341,229	9,475,678	8,896,326	920,581	—
Totals.....	18.35	13,320,797	17,419,669	18,130,878	12,608,864	-724

Charges

Storage charges at all elevators are unchanged: Interior elevators at 1/45¢, Prince Rupert at 1/30¢ per bushel per day. Storage and elevation charges at Prince Rupert are the same as those in effect at the Lakehead and other Pacific Coast ports. Elevation charges at the interior elevators on wheat, oats, barley and corn are 1¼¢ per bushel, 1¢ per bushel lower than charges at the Lakehead and Pacific Coast ports; charges on rye and flax at 1¼¢ per bushel and 2⅜¢ per bushel respectively, are both 1½¢ per bushel lower than at the Lakehead and Pacific Coast ports.

Maintenance

Concrete restoration at the Saskatoon Elevator by the Repair and Reconstruction Unit is virtually completed; the only substantial part left to do being the painting. Similar work is being done in Moose Jaw and is now well advanced. Buildings, machinery and trackage continued to be maintained in good condition.

Work was completed on the installation of dry stand pipes for fire protection at all elevators. The modernization of electrical fixtures and light distribution systems, in compliance with elevator safety codes, is proceeding at Moose Jaw, Saskatoon and Calgary and is almost completed. Similar work was started this year at Edmonton and Prince Rupert. At Port Arthur, electro-magnets were installed to remove metal from grain; a vessel loading spout was installed; the heating system in office buildings revised; and some work was done in repairing revetment channels and tie rods on the dock. At Calgary, one drier was completely replaced by a Randolph direct-heat oil fired unit, thus permitting the drying of all grains, including small oil seeds such as Rapeseed, which was not possible with existing equipment. The other drier was converted from coal to oil heat. At Edmonton, a garner alarm signal system was installed. At Prince Rupert, the railway trestle was replaced in its entirety.

Staff

Staff employed as at December 31, 1960, compared with figures at December 31, 1959, is as follows:

	1960		1959	
	Continuing Establishment	Casuals	Continuing Establishment	Casuals
Winnipeg (Head Office).....	8	—	8	—
Moose Jaw.....	32	—	32	—
Saskatoon.....	33	8	29	15
Calgary.....	32	4	33	3
Edmonton.....	32	—	32	—
Lethbridge.....	19	1	19	—
Prince Rupert.....	31	—	31	25
Repair and Reconstruction Unit..	3	—	3	4
	190	13	187	47

Revenue and Expenditure

Revenue and expenditure for the fiscal year 1959-60 compared with the previous fiscal year were as follows:

	1959-60	1958-59
Revenue.....	\$1,956,557	\$2,112,904
Expenditure.....	1,552,578	1,382,451
Surplus.....	403,979	730,453

For the first nine months of the current fiscal year revenue was \$1,642,343, and expenditure was \$986,563.

APPENDIX H

Table H-1.—EXPENDITURE, by Point, Branch and General Item, Fiscal Year ended March 31, 1960

Point and Branch	Salaries	Rent	Travel	General	Total
	\$	\$	\$	\$	\$
WINNIPEG					
Executive.....	64,060.22	12,839.92	6,336.29	8,907.74	92,144.17
Assistant Commissioner.....	11,619.96	1,080.00	1,870.61	243.96	14,814.53
Registration.....	41,144.49	4,766.16	403.50	756.92	47,071.07
Research Laboratory.....	216,326.36	36,347.04	9,169.88	77,085.94	338,929.22
Statistics.....	115,416.88	12,471.56	865.24	37,070.44	165,824.12
Appeal Tribunal.....	6,660.00	—	—	959.89	7,619.89
Standards Committee.....	—	—	1,472.07	1,280.00	2,752.07
Inspection.....	581,788.88	29,776.48	6,220.98	77,344.27	695,130.61
Weighing.....	53,677.91	2,173.56	1,484.06	693.14	58,028.67
CHURCHILL					
Inspection.....	25,986.04	15.66	5,245.46	798.76	32,045.92
Weighing.....	15,875.90	10.34	3,720.98	508.48	20,115.70
KEEWATIN					
Inspection.....	3,379.20	—	—	—	3,379.20
Weighing.....	10,192.76	—	—	48.50	10,241.26
SASKATOON					
Assistant Commissioner.....	12,099.96	—	2,180.56	216.87	14,497.39
Inspection.....	42,900.11	877.00	744.03	682.77	45,203.91
Weighing.....	28,906.60	—	55.72	83.00	29,045.32
MOOSE JAW					
Inspection.....	28,634.40	1,740.00	115.92	758.92	31,249.24
Weighing.....	16,871.54	—	—	15.58	16,887.12
REGINA					
Assistant Commissioner.....	13,559.71	1,897.56	1,348.95	386.51	17,192.73
MEDICINE HAT					
Inspection.....	9,096.12	726.00	270.15	170.69	10,262.96
Weighing.....	9,964.46	—	—	26.60	9,991.06
LETHBRIDGE					
Inspection.....	7,743.57	—	803.26	80.11	8,626.94
Weighing.....	4,680.00	—	—	9.00	4,689.00
CALGARY					
Inspection.....	112,187.37	7,297.00	2,573.50	4,497.34	126,555.21
Weighing.....	49,326.65	792.00	1,887.90	164.05	52,170.60
Appeal Tribunal.....	6,660.00	987.00	122.70	1,733.90	9,503.60
EDMONTON					
Inspection.....	110,390.60	9,395.50	2,758.62	6,552.81	129,097.53
Weighing.....	16,637.04	—	62.32	46.84	16,746.20
Appeal Tribunal.....	6,660.00	1,170.00	108.35	960.83	8,899.18
Assistant Commissioner.....	12,099.96	1,992.00	4,404.76	348.54	18,845.26
VANCOUVER					
Inspection.....	217,632.74	8,611.92	2,058.08	7,188.86	235,491.60
Weighing.....	206,833.44	3,293.88	2,529.04	1,606.90	214,263.26
Registration.....	11,914.40	2,239.20	—	343.35	14,496.95
VICTORIA					
Inspection.....	10,439.49	—	—	—	10,439.49
Weighing.....	8,513.00	—	441.63	—	8,954.63

Table H-1.—EXPENDITURE, by Point, Branch and General Item, Fiscal Year ended March 31, 1960—Concluded

Point and Branch	Salaries	Rent	Travel	General	Total
	\$	\$	\$	\$	\$
PRINCE RUPERT					
Inspection.....	13,097.33	—	—	—	13,097.33
Weighing.....	12,438.62	—	—	66.00	12,504.62
FORT WILLIAM					
Inspection.....	829,972.32	24,780.00	8,966.31	16,804.10	880,522.73
Weighing.....	662,631.39	5,328.00	38,239.63	8,283.00	714,482.02
TORONTO					
Inspection.....	9,156.73	1,200.00	269.55	360.08	10,986.36
Weighing.....	4,680.00	—	—	10.20	4,690.20
CHATHAM					
Inspection.....	36,249.52	4,320.00	11,571.70	1,059.56	53,200.78
OTTAWA					
Inspection.....	13,020.00	—	3,999.38	344.01	17,363.39
MONTREAL					
Inspection.....	122,130.14	5,595.00	14,636.08	3,970.55	146,331.77
Weighing.....	5,167.50	1,200.00	64.50	406.58	6,838.58
Registration.....	18,420.00	2,400.00	—	533.18	21,353.18
Totals.....	3,816,843.31	185,322.78	137,001.71	263,408.77	4,402,576.57

Table H-2.—Accrued Revenue, by Point and Branch, Fiscal Year ended March 31, 1960

Point and Branch	Fees	Samples Sold	Other Revenue (a)	Total
	\$	\$	\$	\$
WINNIPEG				
Executive.....	—	—	—	—
Statistics.....	29,370.00	—	21.50	29,391.50
Registration.....	25,454.93	—	4.76	25,459.69
Appeal Tribunal.....	1,167.00	—	—	1,167.00
Inspection.....	327,980.41	8,529.09	3,203.26	339,712.76
Weighing.....	25,108.03	—	687.81	25,795.84
CHURCHILL				
Inspection.....	68,363.89	—	—	68,363.89
Weighing.....	34,170.94	—	—	34,170.94
KEEWATIN				
Inspection.....	3,390.24	—	392.24	3,782.48
Weighing.....	9,805.86	—	445.72	10,251.58
SASKATOON				
Inspection.....	22,084.53	858.90	—	22,943.43
Weighing.....	11,282.79	—	—	11,282.79
MOOSE JAW				
Inspection.....	7,828.77	285.37	179.40	8,293.54
Weighing.....	4,125.76	—	533.22	4,658.98
MEDICINE HAT				
Inspection.....	15,958.85	165.05	13.12	16,137.02
Weighing.....	11,518.06	—	244.46	11,762.52

Table H-2.—Accrued Revenue, by Point and Branch, Fiscal Year ended March 31, 1960—
Concluded

Point and Branch	Fees	Samples Sold	Other Revenue (a)	Total
	\$	\$	\$	\$
LETHBRIDGE				
Inspection.....	2,124.25	106.66	—	2,230.91
Weighing.....	287.86	—	—	287.86
CALGARY				
Inspection.....	107,296.67	2,549.69	554.25	110,400.61
Weighing.....	20,555.03	—	368.12	20,923.15
Appeal Tribunal.....	2,205.00	—	—	2,205.00
EDMONTON				
Inspection.....	82,832.85	1,522.33	565.00	84,920.18
Weighing.....	4,700.11	—	91.56	4,791.67
Appeal Tribunal.....	993.00	—	—	993.00
VANCOUVER				
Inspection.....	310,728.13	10,211.85	580.24	321,520.22
Weighing.....	235,339.80	—	1,634.44	236,974.24
Registration.....	12,564.45	—	—	12,564.45
VICTORIA				
Inspection.....	5,163.77	—	—	5,163.77
Weighing.....	3,720.38	—	—	3,720.38
PRINCE RUPERT				
Inspection.....	21,628.63	182.60	—	21,811.23
Weighing.....	15,075.78	—	—	15,075.78
FORT WILLIAM				
Inspection.....	611,834.84	8,496.90	1,592.38	621,924.12
Weighing.....	462,353.47	—	3,916.37	466,269.84
TORONTO				
Inspection.....	4,766.88	118.50	4.92	4,890.30
Weighing.....	5,222.30	—	—	5,222.30
CHATHAM				
Inspection.....	30,967.19	475.55	984.61	32,427.35
MONTREAL				
Inspection.....	7,652.34	568.16	760.35	8,980.85
Weighing.....	150.97	—	1.80*	152.77
Registration.....	8,299.91	—	—	8,299.91
Totals.....	2,554,073.67	34,070.65	16,779.53	2,604,923.85

(a) Details in Table H-4.

* Refund of Previous Year's Expenditure.

Table H-3.—Accrued Revenue and Net Expenditure, by Points and Branches, Fiscal Year ended March 31, 1960—Concluded

	Inspection	Weighing	Appeal Tribunals	Registra- tion	Statistics	Research Laboratory	Grain Standards Commit- tees	Adminis- tration	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE									
Winnipeg	695,130.61	58,028.67	7,619.89	47,071.07	165,824.12	338,929.22	2,752.07	106,958.70	1,422,314.35
Churchill	32,045.92	20,115.70	—	—	—	—	—	—	52,161.62
Keewatin	3,379.20	10,241.26	—	—	—	—	—	—	13,620.46
Saskatoon	45,203.91	29,045.32	—	—	—	—	—	14,497.39	88,746.62
Moose Jaw	31,249.24	16,887.12	—	—	—	—	—	17,192.73	48,136.36
Regina	—	—	—	—	—	—	—	—	17,192.73
Medicine Hat	10,262.96	9,991.06	—	—	—	—	—	—	20,254.02
Lethbridge	8,626.94	4,689.00	—	—	—	—	—	—	13,315.94
Calgary	126,555.21	52,170.60	9,503.60	—	—	—	—	—	188,229.41
Edmonton	129,097.53	16,746.20	8,899.18	—	—	—	—	18,845.26	173,588.17
Vancouver	235,491.60	214,263.26	—	14,496.95	—	—	—	—	464,251.81
Victoria	10,439.49	8,954.63	—	—	—	—	—	—	19,394.12
Prince Rupert	13,097.33	12,504.62	—	—	—	—	—	—	25,601.95
Fort William	880,522.73	714,482.02	—	—	—	—	—	—	1,595,004.75
Toronto	10,986.36	4,690.20	—	—	—	—	—	—	15,676.56
Chatham	53,200.78	—	—	—	—	—	—	—	53,200.78
Ottawa	17,363.39	—	—	—	—	—	—	—	17,363.39
Montreal	146,331.77	6,858.58	—	21,353.18	—	—	—	—	174,523.53
Totals	2,448,984.97	1,179,648.24	26,022.67	82,921.20	165,824.12	338,929.22	2,752.07	157,494.08	4,402,576.57

Table H-4.—Summary of Operations by Branches, Fiscal Year ended March 31, 1960

	Inspection	Weighing	Appeal Tribunals	Registra- tion	Statistics	Research Laboratory	Grain Standards Commit- tees	Adminis- tration	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE									
Fees.....	1,630,602.24	843,417.14	4,365.00	46,319.29	29,370.00	—	—	—	2,554,073.67
Samples Sold.....	34,070.65	—	—	—	—	—	—	—	34,070.65
Other Revenue:									
Overtime Refunded.....	4,912.94	7,849.70	—	—	—	—	—	—	12,762.64
Express Charges.....	3,880.50	—	—	—	—	—	—	—	3,880.50
Jury Fees.....	24.00	72.00	—	—	—	—	—	—	96.00
Fines.....	—	—	—	—	—	—	—	—	—
Refund of Previous Year's Expenses.....	—	1.80	—	—	—	—	—	—	1.80
Miscellaneous Revenue.....	12.33	—	—	4.76	21.50	—	—	—	38.59
Totals	1,673,502.66	851,340.64	4,365.00	46,324.05	29,391.50	—	—	—	2,604,923.85
EXPENDITURE									
Salaries.....	2,173,804.56	1,106,396.81	19,980.00	71,478.89	115,416.88	216,326.36	—	113,439.81	3,816,843.31
Rent.....	94,334.56	12,797.78	2,157.00	9,405.36	12,471.56	36,347.04	—	17,809.48	185,322.78
Travel.....	60,233.02	48,485.78	231.05	403.50	865.24	9,169.88	1,472.07	16,141.17	137,001.71
General Expenses.....	106,227.75	6,845.99	3,631.85	1,428.35	6,861.78	71,191.99	1,280.00	8,545.89	206,013.60
Printing and Stationery.....	14,385.08	5,121.88	22.77	205.10	30,208.66	5,893.95	—	1,557.73	57,395.17
Totals	2,448,984.97	1,179,648.24	26,022.67	82,921.20	165,824.12	338,929.22	2,752.07	157,494.08	4,402,576.57

APPENDIX I

Regulations

Regulations in effect December 31, 1960, made in accordance with the provisions of the Canada Grain Act

Regulation
No.

- 1 Registration and Cancellation of Terminal Elevator Warehouse Receipts.
- 2 Registration and Cancellation of Eastern Warehouse Receipts and Transfer Receipts.
- 3 Plans re Terminal and Eastern Elevators.
- 4 Cleaning of Grain and Bins.
- 5 Off Grades for Western Grain.
- 6 Off Grades for Eastern Grain.
- 7 Grades of Screenings.
- 8 Inspection of Samples taken other than at an Inspection Point.
- 9 Appeals from Inspecting Officers to Grain Appeal Tribunals.
- 10 Delivery of Grain to Ocean Vessels at St. Lawrence Ports.
- 11 Delivery of Grain to Ocean Vessels at West Saint John, N.B.
- 12 Delivery of Grain to Ocean Vessels at East Saint John, N.B.
- 13 Delivery of Grain to Ocean Vessels at Halifax, N.S.
- 14 Enforcement of Lien by Sale of Grain.
- 15 Drying of Grain.
- 16 Fees.
- 17 Records, Reports and Returns.
- 18 Procedure, Country Elevators.
- 19 Receipt for Grain Delivered to Private Country Elevators and Mill Elevators.
- 20 Maximum Tariff of Charges, Eastern Elevators.
- 21 Maximum Tariff of Charges and Shrinkage Allowance, Country Elevators.
- 22 Maximum Tariff of Charges, Terminal Elevators.
- 23 Applications for Licenses, and Terms and Conditions under which Licenses are issued.
- 24 Storage in Transit of Grain Grown Outside Canada.
- 25 Tickets and Receipts—Country Elevators.
- 26 Grain Treated with Poisonous Materials.
- 27 Shipment of Infested Grain.

The CHAIRMAN: Appendices G, H and I agreed to.

Mr. HORNER (*Acadia*): I have one question. On page 23 with regard to licensing. I think you said this morning that nine roundhouses were licensed for the storage of grain. Would they all be licensed to the one line company?

Mr. McCONNELL: Oh no, no. I would say they might be all to different companies. The only requirement is that the company which licenses them as an annex must have an elevator operative at the point.

Mr. THOMAS: Mr. Chairman, if it is in order I would like to move a vote of thanks to the board of grain commissioners for their presentation of the report.

Mr. HENDERSON: I second the motion.

The CHAIRMAN: I am sure, gentlemen, that as chairman I may express your appreciation for the dispatch with which this report was presented today, and I am sure the report is very encouraging. We hope to see you back next year—whether or not we are here—when no doubt you will be presenting a bigger and better report before the agricultural committee. Once again we thank you for being with us. No doubt the bell will be ringing very shortly.

Mr. McCONNELL: I would like to say thank you very much on behalf of the board, and to extend to you a hearty invitation to call at our office in Winnipeg so we may show you our grading, our baking lab, and everything. We will be very happy to welcome you.

15
HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE
ON
Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 16

Respecting
Report of the Canadian Wheat Board for Crop Year 1959-60 and
INCLUDING SECOND REPORT TO THE HOUSE

MONDAY, JUNE 12, 1961
THURSDAY, JUNE 15, 1961
WEDNESDAY, JUNE 21, 1961
MONDAY, JUNE 26, 1961
TUESDAY, JUNE 27, 1961
TUESDAY, JULY 4, 1961



WITNESSES:

From the Canadian Wheat Board: Messrs. W. C. McNamara, Chief Commissioner; W. Riddel, Assistant Chief Commissioner; W. E. Robertson, Commissioner; C. E. G. Earl, Comptroller-Secretary; H. B. Monk, Solicitor and C. B. Davidson, Executive Assistant.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.

and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Regnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Romppe
Danforth	Korchinski	Slogan
Doucett	Latour	Southam
Drouin	Leduc	Stefanson
Dubois	Mandziuk	Tardif
Depuis	McIntosh	Thomas
Fane	Michaud	Thompson
Forbes	Milligan	Tucker
Forgie	Montgomery	Villeneuve
Godin	Muir (<i>Lisgar</i>)	Webb—60.
Gundlock	Nasserden	
	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, June 21, 1961.

Ordered,—That the *Annual Report of the Canadian Wheat Board for the Crop Year ended July 31, 1960*, which was tabled on March 3, 1961, and the *Report of the Board of Grain Commissioners for 1960*, which was tabled on April 12, 1961, and the *Supplementary Report of the Canadian Wheat Board on the 1959-60 Pool Account for Wheat, Oats and Barley*, tabled today, be referred to the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

WEDNESDAY, July 5, 1961.

The Standing Committee on Agriculture and Colonization has the honour to present the following as its

SECOND REPORT

On June 21, 1961, the Committee received from the House the following Order of Reference:

Ordered,—That the Annual Report of the Canadian Wheat Board for the Crop Year ended July 31, 1960, which was tabled on March 3, 1961, and the Report of the Board of Grain Commissioners for 1960, which was tabled on April 12, 1961, and the Supplementary Report of the Canadian Wheat Board on the 1959-60 Pool Account for Wheat, Oats and Barley, tabled today, be referred to the Standing Committee on Agriculture and Colonization.

Your Committee carefully examined and approved the operations of the Canadian Wheat Board and the Board of Grain Commissioners for Canada.

Your Committee commends the Minister of Agriculture and the Canadian Wheat Board for their excellent efforts in the export sales of wheat and expresses hope for their continued success.

Your Committee is interested in the permanent liaison committee proposed by the Minister of Agriculture to be set up between eastern feeders and the Canadian Wheat Board.

Your Committee commends the Board of Grain Commissioners on its handling of the unusual 1959 wheat crop.

A copy of the Committee's Minutes of Proceedings and Evidence, respecting the above-mentioned matters, is appended.

Respectfully submitted,

JAMES A. McBAIN,
Chairman.

MINUTES OF PROCEEDINGS

MONDAY, June 12, 1961.

(30)

The Standing Committee on Agriculture and Colonization met *in Camera* at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Belzile, Clancy, Clermont, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Knowles, McBain, Muir (*Lisgar*), Noble, Peters, Rapp, Ricard, Smallwood, Southam, Stefanson, Thomas, and Tucker.—(22).

Agreed.—That the Subcommittee on Agenda and Procedure prepare a draft report on farm machinery prices for discussion on Friday, June 16.

The Chairman announced that the Board of Grain Commissioners would appear before the Committee on Friday, June 23 and the Canadian Wheat Board on Monday, June 26 and Tuesday, June 27.

At 10.40 a.m. the Committee adjourned to the call of the Chair.

THURSDAY, June 15, 1961.

(31)

The Standing Committee on Agriculture and Colonization met, *in Camera*, at 9.55 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Campbell (*Lambton-Kent*), Cooper, Danforth, Doucett, Fane, Forbes, Horner (*Acadia*), Knowles, Lahaye, McBain, Muir (*Lisgar*), Pascoe, Peters, Rapp, Smallwood, Southam, Tucker, and Webb.—(19).

On behalf of the subcommittee on Agenda and Procedure, the Chairman presented a draft of a Report to the House.

After discussion thereon, it was decided to hold a further meeting.

At 10.50 the Committee adjourned to the call of the Chair.

WEDNESDAY, June 21, 1961.

(32)

The Standing Committee on Agriculture and Colonization met, *in Camera*, at 3.00 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Clermont, Danforth, Fane, Forgie, Gundlock, Henderson, Hicks, Horner (*Acadia*), McBain, Mandziuk, Muir (*Lisgar*), Nasserden, Rapp, Smallwood, Southam, Thomas, Thompson, Tucker, and Webb.—(20).

The Committee considered, amended and adopted a draft report on farm machinery prices for presentation to the House.

At 3.30 p.m. the Committee adjourned until Friday, June 24, at 9.30 a.m.

MONDAY, June 26, 1961.

(35)

The Standing Committee on Agriculture and Colonization met at 9.35 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Campbell (*Lambton-Kent*), Clermont, Danforth, Doucett, Forbes, Henderson, Hicks, Horner (*Acadia*), Howe, Knowles, Korchinski, McBain, Mandziuk, Milligan, Montgomery, Muir (*Lisgar*), Nasserden, Noble, Pascoe, Rapp, Rogers, Southam, Stefanson and Webb.—(25).

In attendance: From the Canadian Wheat Board: Messrs. W. C. McNamara, Chief Commissioner; W. Riddel, Assistant Chief Commissioner; W. E. Robertson, Commissioner; C. E. G. Earl, Comptroller-Secretary; H. B. Monk, Solicitor and C. B. Davidson, Executive Assistant.

The Chairman introduced Mr. McNamara, who in turn, introduced the officials of the Canadian Wheat Board.

The members received a copy of

1. Report of the Canadian Wheat Board—Crop Year 1959-1960.
2. Supplementary Report of the Canadian Wheat Board on the 1959-1960 Wheat Account, 1959-1960 Oats Account and 1959-1960 Barley Account.

Mr. Earl proceeded to read the Report of the Canadian Wheat Board—Crop Year 1959-1960 and the officials of the Board answered questions on the different sections.

The Committee approved the following sections of Part I of the Report:

1. General Comment—Crop Year 1959-1960.
2. Crop Development and Supplies.
3. Legislation.
4. Transportation.

At 11.00 a.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SITTING

(36)

The Committee reconvened at 2.40 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Campbell (*Lambton-Kent*), Clermont, Doucett, Dubois, Fane, Forbes, Henderson, Hicks, Horner (*Acadia*), Howe, Knowles, Korchinski, McBain, Milligan, Muir (*Lisgar*), Nasserden, Noble, Pascoe, Rapp, Southam, Stefanson and Tardif.—(23).

In attendance: Same as at morning sitting.

Mr. Earl resumed his reading of the Report of the Canadian Wheat Board—Crop Year 1959-1960.

The Committee questioned the officials of the Board on and approved the following sections of Part I of the Report:

5. Delivery Quotas.
6. Handling Agreement.

At 5.00 p.m. the Committee adjourned until 7.30 p.m.

EVENING SITTING

(37)

The Committee reconvened at 7.40 p.m. The Acting Chairman, Mr. Reynold Rapp, presided.

Members present: Messrs. Boulanger, Clermont, Forbes, Henderson, Hicks, Horner (*Acadia*), Knowles, Korchinski, McBain, Mandziuk, Milligan, Muir (*Lisgar*), Nasserden, Pascoe, Rapp, Rogers, Southam, Stefanson, Tucker and Webb.—(20)

In attendance: Same as at morning sitting.

Mr. Earl continued reading the Report of the Canadian Wheat Board—Crop Year 1959-1960.

The Committee questioned the officials of the Board on and approved the following:

In Part I

- 7—1959-60 Account—Wheat
- 8—1959-60 Account—Oats
- 9—1959-60 Account—Barley
- 10—Payment Division
- 11—Legal Department
- 12—Staff and Officers
- 13—Advisory Committee

In Part II

Financial Statements

The Report of the Canadian Wheat Board—Crop Year 1959-1960 was approved.

Agreed,—that the following be made appendices to Minutes of Proceedings and Evidence regarding the Canadian Wheat Board reports:

Cost of Moving Feed Grains into Eastern Positions (*See Appendix "A"*)
Statement re Feeds Mills (*See Appendix "B"*)

- (a) Statement
- (b) Parliamentary Reports Relating to Feed Mills
- (c) Canadian Wheat Board Instructions to the Trade No. 43
1960-61 Crop Year Re: Order re Delivery of Grain to Feed Mills
- (d) Designation of Non-Quota Feed Mill
- (e) The Canadian Wheat Board Instructions to the Trade No. 41 re:
Feed Mills
- (f) The Canadian Wheat Board Comparison of Board initial prices with
prices paid by designated non-quota feed mills—Manitoba and
Saskatchewan.

The Committee proceeded to study the Supplementary Report of The Canadian Wheat Board on the 1959-60 Wheat Account, 1959-60 Oats Account and 1959-60 Barley Account.

Mr. Earl read this Supplementary report and the Committee questioned the officials of the Board on each section.

The Committee approved 1959-60 Pool Account—Oats.

At 10.00 p.m. the Committee adjourned until Tuesday, June 27th at 9.30 a.m.

TUESDAY, June 27, 1961.

(38)

The Standing Committee on Agriculture and Colonization met at 9.40 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Campbell (*Lambton-Kent*), Danforth, Doucett, Forbes, Gundlock, Henderson, Hicks, Horner (*Acadia*), Knowles, Korchinski, Lahaye, McBain, Mandziuk, Muir (*Lisgar*), Nasserden, Noble, Pascoe, Rapp, Régnier, Rogers, Southam, Stefanson, Tucker and Webb.—(25)

In attendance: From the Canadian Wheat Board: Messrs. W. C. McNamara, Chief Commissioner; W. Riddel, Assistant Chief Commissioner; W. E. Robertson, Commissioner; C. E. G. Earl, Comptroller-Secretary; H. B. Monk, Solicitor and C. B. Davidson, Executive Assistant.

The Chairman introduced the following interested officers to the Committee: Mr. Cecil Lamont, President and Mr. W. McIchlan, Secretary, North-West Line Elevators

Dr. W. J. Parker, President, Manitoba Wheat Pool

Mr. G. L. Harrold, President, Alberta Wheat Pool

Mr. C. W. Gibbings, President, Saskatchewan Wheat Pool

Mr. R. C. Brown, First Vice-President and Mr. H. L. Griffin, Economist, United Grain Growers

The Committee resumed consideration of the Supplementary Report of the Canadian Wheat Board on the 1959-60 Pool Account—Wheat, 1959-60 Pool Account—Oats and 1959-60 Pool Account—Barley, and approved:

1959-60 Pool Account—Barley

1959-60 Pool Account—Wheat

Auditor's Report and Statements of Operations of The Canadian Wheat Board on Wheat, Oats and Barley.

The Supplementary Report of the Canadian Wheat Board was approved.

The Chairman thanked the officials of the Canadian Wheat Board for their appearance.

At 11.00 a.m. the Committee adjourned to the call of the Chair.

TUESDAY, July 4, 1961.

(39)

The Standing Committee on Agriculture and Colonization met, *in camera*, at 10.05 a.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Badanai, Boulanger, Danforth, Doucett, Forbes, Forgie, Hicks, Knowles, Lahaye, McBain, McIntosh, Milligan Nasserden, Noble, Pascoe, Peters, Rogers, Southam, Stefanson, Thomas, Tucker.—(21).

The Committee considered and approved a draft report to the House on the Annual Reports of the Canadian Wheat Board and the Board of Grain Commissioners for Canada for presentation to the House as the Committee's Second Report.

At 10.10 a.m. the Committee adjourned to the call of the Chair.

Clyde Lyons,
Clerk of the Committee.

EVIDENCE

MONDAY, June 26, 1961.

The CHAIRMAN: Gentlemen, you will kindly come to order. This morning the standing committee on agriculture and colonization welcomes as witnesses the Canadian wheat board. Sitting next to me on my right, is Mr. W. C. McNamara, the chief commissioner. At this time I shall call on Mr. McNamara to introduce the other members of his board.

Mr. W. C. McNAMARA (*Chief Commissioner of the Canadian Wheat Board*): Mr. Chairman and gentlemen, once again it is the privilege of the Canadian wheat board to have this opportunity to meet with the members of the agricultural committee, and to discuss our reports, which have been tabled before you. Our full board is present today. To my right is Mr. William Riddel, the assistant chief commissioner, and Mr. W. E. Robertson, commissioner of the board. Then we have our comptroller-secretary, Mr. C. E. G. Earl, our solicitor, Mr. H. B. Monk, Q.C., and Mr. C. B. Davidson, executive assistant to the board.

We hope we have all the information the committee will require, but if we have not, we will arrange to get it. We are at the service of the committee. In the past it has been the practice for us to have our secretary read the report part by part, paragraph by paragraph, and we are prepared to do so if it is the wish of the committee. But if you would prefer not to have the report read, we will discuss it part by part, and do whatever the committee desires. We are quite willing to go along with you.

The CHAIRMAN: You have heard Mr. McNamara's suggestion. Do you wish the report to be read paragraph by paragraph?

Mr. HORNER (*Acadia*): Yes, I think that has always been the practice.

The CHAIRMAN: It would appear that it is the general wish of the committee that the report be read, paragraph by paragraph. Perhaps Mr. Earl would now proceed to do so.

Mr. C. E. G. EARL (*Comptroller-Secretary of the Canadian Wheat Board*): I shall now read paragraph number 1.

Mr. McNAMARA: I might say that this is the regular report, not the supplementary.

Mr. EARL:

1. General Comment—Crop Year 1959-60

World wheat production in 1959 was somewhat smaller than the record production of 1958. The major part of the reduction occurred in the United States and in the U.S.S.R., both countries having harvested unusually large wheat crops in the previous year. Wheat production in the United States was estimated at 1,128 million bushels as compared with 1,462 million bushels in 1958. Wheat production in the U.S.S.R. was unofficially estimated at 1,900 million bushels as compared with 2,300 million bushels in 1958. Production in Canada was moderately larger in 1959, while Argentina and Australia harvested smaller wheat crops. In Western Europe total wheat production was estimated at a record 1,410 million bushels as compared with 1,345 million bushels in 1958.

The outturn of wheat crops in Western Europe was due to favourable weather conditions during the growing season, followed by dry harvesting weather. Wheat of exceptional quality was harvested. The volume of production and quality were such as to reduce import requirements, particularly on the part of the United Kingdom and the Federal Republic of Germany. France harvested a large wheat crop of 425 million bushels which produced a substantial exportable surplus in 1959-60. Italy was the exception to the general pattern of bountiful production, harvesting a much smaller wheat crop than in the previous year.

Wheat production in Eastern Europe (excluding the U.S.S.R.) was generally higher than in 1958, with greatly improved production in Rumania and Yugoslavia.

Production in Asia, apart from the Middle East, was fully maintained. Crop losses were sustained in Lebanon, Syria, Turkey and Iraq.

Wheat production in Africa was slightly higher in 1959, reflecting, in part, improved production in the Union of South Africa.

International trade in wheat, including non-commercial distribution, was estimated at 1,321 million bushels; slightly larger than in the previous crop year. Shipments of the major exporting countries were as follows:¹

	1959-60	1958-59
	(million bushels)	
Canada	278	295
United States	512	443
Australia	122	75
Argentina	77	103
U.S.S.R. (est.)	180	220
France	65	39

The decline in Canadian exports reflected, in part, the smaller import requirements of Western Europe.

The increase in the United States exports was due entirely to a larger distribution of wheat under disposal programmes. The division of United States exports between disposal programmes and commercial sales is shown as follows:

	1959-60	1958-59
	(million bushels)	
Disposal programmes	373	302
Commercial sales	139	141

Reflecting an increased demand for soft wheats, Australian exports increased sharply in 1959-60. Exports from Argentina reflected reduced production in the crop year under review.

Exports from the U.S.S.R. were estimated at 180 million bushels, a reduction from the previous crop year. The bulk of exports from the U.S.S.R. went to Communist countries; about 28 million bushels were disposed of in Western Europe, principally in Finland, The Netherlands, the United Kingdom and Norway.

France exported 65 million bushels of wheat as compared with 39 million bushels in the previous crop year. These exports were about equally divided between Western Europe and Africa.

¹ Canada, August-July; others, July-June.

The CHAIRMAN: Are there any questions or general comments on paragraph 1?

Mr. HORNER (*Acadia*): There is a great deal of talk about the disposal program in the United States. I see that in 1959-60 they increased it. Are they continuing to increase it in 1960-61?

Mr. McNAMARA: Yes. The estimated export of American wheat in this current crop year—we seem to get out of 1959-60 very rapidly, and I am talking about 1960-61—their export is estimated to be 660 million bushels. This is a record, and it is estimated that there will be a substantial increase, particularly under this special program.

Mr. RAPP: How do the Russians or the U.S.S.R. do it? Are they stronger in that market now than they were in 1959-60?

Mr. McNAMARA: No, I think when we get the final figures on the Russians this year, they will show that their total movement out of Russia will be away below the movement last year. But the Russians are still expected to export mainly to the European market.

Mr. KORCHINSKI: How much of that American disposal was give-away as opposed to sales?

Mr. McNAMARA: We deal with that matter further on in the report, where we give the figures in some detail, commencing at page 8.

Mr. PASCOE: Mr. Chairman, on page 1, it says "reflecting an increased demand for soft wheats"; I wonder if Mr. McNamara could give us the reason for an increased demand, and whether or not it is continuing into the present crop year.

Mr. McNAMARA: Crop conditions in certain areas of the world such as the Middle East, where quality is not the factor that it is in some of the commercial markets, like the United Kingdom, Germany and Japan but in countries like Italy, and some of the middle eastern countries where the quality of the indigenous wheat, the soft wheat is of low quality, appear to have the result of heavy importations into those areas. If they were not prepared to pay for premium wheat, quality wheat, they would increase their purchase of lower quality.

Mr. PASCOE: Is there a tendency or a greater demand for soft wheat as against our hard wheat?

Mr. McNAMARA: No. It is due to climatic conditions, I think.

Mr. MUIR (*Lisgar*): Do you feel that the American disposal program for 1960-61 will have very much of an adverse affect on our sales?

Mr. McNAMARA: No. Generally speaking it is being handled in non-commercial areas; their distribution to India, and Pakistan is very heavy. But these are not commercial markets at the present time. They do not have the currency to pay for the grain, so their competition has not come into the commercial markets, and it has not been unfair competition.

Mr. HORNER (*Acadia*): I take it from the first paragraph that our exports were down in 1959-60 because of the record crops or good crops in Europe and central Europe. Would that be correct?

Mr. McNAMARA: That is correct.

Mr. BOULANGER: Where does Russia sell her wheat? Do they sell it in the United Kingdom?

Mr. McNAMARA: They sell only limited quantities to the United Kingdom. However they will be selling a substantial quantity to Holland, which is a market which used to use our number five wheat. But now since we are out of supply of number five, the Russians have moved in there fairly heavily, and

they have also made some inroads in the Belgian market. Generally speaking, most of their wheat goes to eastern European countries. They did barter some wheat in 1959-60 on the basis of exchange for cotton.

Mr. BOULANGER: We cannot compete with that?

Mr. McNAMARA: We have the same quality of wheat, and they produce some wheat which is equal to ours; but their system of distribution, grading, and inspection is not as stable as ours. Therefore in the quality markets Russian wheat does not have the reputation of Canadian wheat. And in their pricing policy, the Russians are obviously watching our present policy very closely and they are selling their wheat at a discount under our wheat. So there is this factor of the discount along with the question of quality which must be taken into consideration.

Mr. FORBES: Would you care to comment on the increased exports from France? Where do they go?

Mr. McNAMARA: The French situation has changed in recent years. They have a very high support price for their domestic production, and it has been increased. But they are producing a very low quality of what we call a soft type of wheat. Most of it is being exported and used for feeding purposes within Europe. Very little of it is used for milling, except within France itself. It is mostly wheat which is bought for feeding markets of the world, although some French flour companies are beginning to get into the flour markets of the world.

Mr. FORBES: It would not affect our markets?

Mr. McNAMARA: No, not a great deal; but in the common market France will be pressing to have her partners use more of her French wheat. We do not anticipate that this will adversely affect Canadian sales to any large extent. But it will probably have some effect on the exports to Germany, Belgium, and Holland, under their provisions of the common market, when they agree to accept French wheat. At the present time these countries use Canadian wheat to build up their indigenous wheat, and they may turn to the use of more French wheat. It is not a type of wheat that their people like. It is of a lower standard. But we hope that the result of the common market will not seriously affect the importation of Canadian wheat into the commercial markets of Europe. I believe last year we made a guesstimate that it could probably have affected our commercial sales to Europe to the extent of ten or fifteen per cent.

The CHAIRMAN: Mr. Southam.

Mr. SOUTHAM: My question is similar to that of Mr. Forbes in respect of France disposing of her exportable surplus, and has been very adequately answered by Mr. McNamara.

Mr. ROGERS: I would like to ask what position the United States is in now. Has she been able to reduce her surplus of wheat?

Mr. McNAMARA: No. Notwithstanding their very heavy exports this year, I think their carry-over at the end of this crop year will be the largest in history. Also they have another very large crop in sight.

Mr. HORNER (*Acadia*): With regard to the common market and the inner six, do you know whether or not it is planned to put up a barrier against Canadian agricultural products, particularly wheat, coming into the inner six.

Mr. McNAMARA: No; I do not believe so. I do not know about other agricultural products; but not in respect of wheat. Mr. Riddel points out that it is really not a barrier, but that all these countries put sort of a tax on our wheat. They buy it at our price, but resell to the commercial outlets within their own countries and levy a tax against it—a skimming fee they call it.

Mr. HORNER (*Acadia*): Is it planned to increase this?

Mr. McNAMARA: It will depend on the level of the price eventually guaranteed to the producers within these countries. They will bring it up to that level.

The CHAIRMAN: Are there any further questions under the heading general comment?

We will proceed to crop development and supplies.

Mr. EARL:

2. Crop Developments and Supplies

The following table shows acreages seeded to grains and flaxseed in the prairie provinces in 1959, along with comparative statistics for 1958:

	1959 Acreage	1958 Acreage
	(thousand acres)	
Wheat	22,557	20,244
Oats	7,882	7,584
Barley	8,107	9,369
Rye	435	419
Flaxseed	2,130	2,602
TOTAL	41,111	40,218

Wheat acreage in the prairie provinces increased from 20.2 million acres in 1958 to 22.6 million acres in 1959. A moderate increase occurred in the acreage seeded to oats, while a relatively sharp decline occurred in barley and flaxseed acreages.

The seeding of the 1959 grain crops in the prairie provinces was delayed by cool, unsettled weather and some soil drifting in the early part of the season. However, by the end of May seeding had been practically completed. Moisture supplies ranged from poor to fair during seeding time in most districts. The Dominion Bureau of Statistics made some significant comments upon the 1959 growing season which are quoted as follows:

Moisture supplies were limited during most of June over most of the prairie provinces and crops had reached a critical point over large areas of southern, central and west-central Saskatchewan and parts of Alberta where heavy rainfalls occurred late in the month. These rains were quite general and most crops responded well to the improved conditions, although some early-sown fields, especially stubble fields, had deteriorated too greatly to derive much benefit. Reflecting the heavy rains during the last week in June, average growing season precipitation for Saskatchewan increased from 39 per cent below to 1 per cent above normal. In Alberta, the increase was from 16 per cent below to 4 per cent above normal. In Manitoba, where the moisture situation was much better than in the other two provinces, the average growing season rainfall increased from 5 per cent above to 12 per cent above normal.

At mid-July crops were making good growth but by the end of the month high temperatures were rapidly advancing maturity. Continued hot, dry weather in Manitoba, Saskatchewan and many parts of Alberta had ripened much of the crop prematurely by mid-August. During the latter half of August, however, wet, unsettled weather was retarding maturity of late-sown fields and delayed harvesting operations. September brought little or no improvement, with harvesting still hampered by wet weather. By the end of September most of the cereal crop acreage was threshed in Manitoba, but only about 50 per cent of the flax was harvested. In Saskatchewan, about 25 per cent of the cereal crops and 75 per cent of the flax remained to be threshed.

With the exception of flaxseed, the greater part of the unthreshed crops was in the east-central and northern areas. Except for the southeast corner of the province, harvesting progress throughout Alberta had been seriously delayed by dull, damp weather and about 60 per cent of the cereal grains and 75 per cent of the flaxseed remained in the fields in late September. By mid-October heavy snows had fallen over wide areas of the prairie provinces, leaving substantial quantities of all grains still in the fields.

The early maturing grain crops in the southern half of the prairie provinces were generally harvested without excessive moisture content, even though harvesting operations were subject to many interruptions and delays. The delay in harvesting operations was most pronounced in central and northern Alberta, in northerly and easterly areas of Saskatchewan and in some areas of northern and eastern Manitoba.

As at November 1st, the Dominion Bureau of Statistics estimated that some 250 million bushels of grain still remained to be harvested. This estimate was probably somewhat high but it did indicate the extent of the harvesting problem at that date. In November, and well into December, harvesting went on periodically in central and northern sections of Saskatchewan, but only to a limited extent in Manitoba. As at December 31st, the Dominion Bureau of Statistics estimated that 111 million bushels of grain still remained to be harvested. This meant that a substantial quantity of grain was harvested in November and December, and most of this grain was threshed as tough and damp. The grain which remained in the fields during the winter was harvested by early May, and in most areas a satisfactory recovery was reported in spite of losses in yield and grade.

The following table shows production in the prairie provinces in 1959, along with comparative statistics for 1958:

	1959	1958
	(thousand bushels)	
Wheat	399,000	346,000
Oats	263,000	240,000
Barley	219,000	238,000
Rye	6,360	5,400
Flaxseed	17,500	22,500
TOTAL	904,860	851,900

In spite of the hazards of the growing season and the unfavourable harvest, production of grains and flaxseed in the prairie provinces in 1959 showed a moderate increase over the previous year. Wheat production was estimated at 399 million bushels as compared with 346 million bushels in 1958. Oats production increased from 240 million bushels to 263 million bushels, reflecting an increased acreage.

Barley production declined from 238 million bushels in 1958 to 219 million bushels in 1959. Due largely to the unfavourable harvest and reduced acreage, flaxseed production was 17.5 million bushels as compared with 22.5 million bushels in 1958.

The following table shows the inward commercial carryover of wheat, oats and barley in Canada as at August 1, 1959, with comparable figures for the corresponding date of previous years:

	August 1 1959	August 1 1958	August 1 1957
	(million bushels)		
Wheat	419.0	407.6	410.4
Oats	39.0	46.9	54.1
Barley	71.1	60.7	61.8

The following table shows farm stocks of wheat, oats and barley in the prairie provinces as at August 1, 1959, along with comparative estimates for previous years. These stocks include farm requirements in the form of seed and feed, as well as deliverable surpluses.

	August 1 1959	August 1 1958	August 1 1957
	(million bushels)		
Wheat	126	229	319
Oats	53	88	155
Barley	54	55	79

The CHAIRMAN: Are there any questions on this?

Mr. HICKS: I would like to ask the witness for his ideas about the future of flax production. We know that many livestock men have fed oilcake meal or flaxseed meal for years. Now, in the real west, it seems almost impossible to buy it. What is the future of it? There is competition from the soybean meal coming in from the United States.

Mr. McNAMARA: This is a question which should be directed to someone who is more of an agricultural expert than I. I understand that production of flax in the west is rather hazardous, although there has been some increase in recent years and a good market for flaxseed. I understand that this year flax has been reduced because of the dry weather conditions and it is very doubtful if the yield will be satisfactory. There is a market at the present time for flax and linseed as well as rapeseed; but that the trend will be in western Canada this year, in so far as production of flaxseed is concerned, is something which is not within my competence to answer. I am not an expert along these lines. I think that many members of the committee would know more about the production of flax than I do.

Mr. HICKS: I understand that the oil is not being used for paint now as much as it was. I assume that will affect the demand.

Mr. McNAMARA: It might in Canada, but the export demand is still quite strong. We have some statistics at the back of the report which will give some indication of the acreage and the trend of production in western Canada.

Mr. HORNER (*Acadia*): These tables show the stocks held on the farms. I notice that at August 1, 1957, 1958 and 1959, there has been a continued reduction of farm held stocks, particularly in respect of wheat. Is it your view that as at August 1, 1961, there will be less than what is shown here for 1959?

Mr. McNAMARA: I anticipate there will be a slight reduction. You must remember that this last crop was a fairly large one. I believe it is estimated at around 475 million bushels. Notwithstanding the slightly heavier exports we are engineering this year and the domestic consumption, we will be fortunate if we can reduce the farm carry-over to any extent. Another factor, I think, is the outlook for the current crop. Last year producers were inclined to deliver,

in the last part of the crop year, all the grain they could possibly find space for. I would anticipate, if present weather conditions prevail, that in western Canada many producers will keep some stocks on their farms. I hope this will be the case, because I think it would be a wise policy to follow.

Mr. HORNER (*Acadia*): In respect of oats, I think last winter, particularly in Alberta, a great deal of oats was fed. I would think there is less oats on hand than perhaps in previous years.

Mr. McNAMARA: Yes, although the elevator agents in their last estimate of the delivery availability of oats indicated there were still thirty million bushels of oats in the hands of the producers which they would desire to market. We have a special supplementary quota on oats. Our oats deliveries have been considerably higher this year than last year. As of June 14, we have taken thirty-two million bushels of oats as compared to 16.5 million last year. The total for the last crop year was twenty-four million bushels. So, we are taking larger quantities of oats off the farms. I am inclined to agree with Mr. Horner that if this condition of drought that we now are experiencing in western Canada continues, there is going to be a serious shortage of feeding grains in certain areas, with the result that I think that the delivery potential to the board will be considerably decreased to that of the agents' original estimates.

Mr. PASCOE: I have a supplementary in connection with your remarks about hoping that the farmers would keep some of their grains on the farms. Would that indicate that the wheat board is not going to push sales as hard as they can?

Mr. McNAMARA: We still are carrying in commercial positions large volumes. We will have a carry-over at the end of July in the amount of 500 million bushels. We will continue to push sales as hard as we can.

Mr. PASCOE: What do you consider normal carry-over?

Mr. McNAMARA: When the Temporary Wheat Reserves Act was passed, the government considered 178 million bushels of wheat in commercial position was a normal carry-over, and of course ever since, we have been carrying over substantially larger amounts than that. I think 178 million bushels would be too low under the conditions which prevail today. I would rather see a carry-over in commercial position of around 300 million bushels, and I would consider that more normal than 178 million bushels.

Mr. SOUTHAM: Mr. Chairman, in dealing with the 1959-60 crop year with respect to the heavy moisture content, did this have any effect on the overall marketing by the Canadian wheat board, as far as world markets were concerned?

Mr. McNAMARA: It created the problem of drying the grain. We had to dry and condition large volumes of tough and damp grain in our terminals. It did disrupt our quota system for a considerable period because we had to preference the movement of this grain. It did affect our shipments out of Vancouver during the winter months, because the grain that was moved to the west coast had to be dried at the terminals there, as a result of which this slowed down our delivery potential.

Mr. SOUTHAM: Did that have the result of decreasing the potential sales for that crop year, or delaying it?

Mr. McNAMARA: It is hard to put a figure on it. It certainly delayed them, and it may have decreased them slightly. Let us say that it did not improve the situation in any way.

Mr. KORCHINSKI: Have we disposed of most of that poor quality grain that was under the snow that year, or have we still some on hand? Primarily, where were our customers—in Canada, or elsewhere?

Mr. McNAMARA: Most of the grain under the snow when threshed, and after it was dried, graded No. 3 or No. 4 Northern, and it was sold along with other stocks of this grade in world markets. It was still all commercial grade.

Mr. KORCHINSKI: Was not a lot of it No. 5? I know mine was No. 5.

Mr. McNAMARA: Some was, but there has been a good market for No. 5 wheat within the domestic market and for export.

Mr. KORCHINSKI: Was the majority of it No. 3 and No. 4.

Mr. McNAMARA: Yes, I think the majority of it would be No. 4.

Mr. MUIR (*Lisgar*): What size of stocks of oats are you carrying in commercial position?

Mr. McNAMARA: As of June 14th, we are carrying in commercial position 20,980,000 bushels of oats—approximately 21 million bushels,—and as at June 15th last year, we were carrying 18 million bushels.

Mr. MUIR (*Lisgar*): What are your principal export outlets for oats? Is it the States?

Mr. McNAMARA: There has been a very limited market. The States have been our traditional outlet, but there have been no large volume movements. A few oats have been going overseas, but a very limited quantity.

Mr. MUIR (*Lisgar*): In other words, the bulk of the oats is being used at home?

Mr. NASSERDEN: Has there been any demand in eastern Canada for oats which you were unable to fill?

Mr. McNAMARA: We are intending to deal with this question fully. Would you like to discuss this eastern situation now, as related to this crop year, or 1959-60?

Mr. NASSERDEN: I will leave it up to you.

Mr. McNAMARA: We refer to this, and I will be prepared to deal with it in our supplementary report.

The CHAIRMAN: We had better leave it.

Mr. RAPP: Under table No. 2, it shows the acreage seeded on the prairies. Would it not give us a fuller picture if all the grains that are seeded on the prairies were listed under this item?

Mr. McNAMARA: You will find it in these tables at the back. We do list all these.

Mr. RAPP: I have not looked that far ahead.

The CHAIRMAN: Are there any further questions, gentlemen? If not, is it agreed that "crop development and supplies" be passed?

Some Hon. MEMBERS: Agreed.

Mr. EARL:

3. Legislation

There were no amendments to the Canadian Wheat Board Act during 1959-60. Parliament, however, passed two Acts which were related to the marketing of western grain. These were the Prairie Grain Provisional Payments Act and the Prairie Grain Loans Act.

The Prairie Grain Provisional Payments Act was enacted in January, 1960, and was proclaimed on February 1, 1960. The purpose of this Act was to provide for provisional payments in respect of unthreshed grain in the prairies provinces for the 1959-60 crop year pending the threshing of such grain and the delivery thereof to The Canadian Wheat Board. Section 6 of the Act sets forth the basis of provisional payments and is quoted as follows:

"Section 6—

- (1) Subject to this section, the amount of a provisional payment to a producer shall be one-half of the unthreshed grain, irrespective of its grade, that the applicant has and undertakes to deliver to the Board, multiplied by
 - (a) fifty cents per bushel in the case of wheat,
 - (b) twenty cents per bushel in the case of oats, and
 - (c) thirty-five cents per bushel in the case of barley.
- (2) The quantity of unthreshed grain in respect of which a provisional payment may be made to a producer shall not exceed the quantity of grain that would be deliverable under the applicant's permit book for the 1959-60 crop year on a quota of six bushels per specified acre, minus the total of
 - (a) the quantity of grain delivered by him to the Board prior to his application and during the 1959-60 crop year, and
 - (b) any threshed grain that the applicant has in storage otherwise than in an elevator.
- (3) A provisional payment to a producer shall not exceed fifteen hundred dollars.
- (4) The aggregate of a provisional payment to a producer and the advance payments made to him in respect of the 1959-60 crop year under the Prairie Grain Advance Payments Act shall not exceed three thousand dollars."

The Act also prescribed procedures to be followed in the issuance of provisional payments and the repayment thereof. Provisional payments were interest-free to producers unless declared to be in default.

Pursuant to the Act the Board entered into an agreement with elevator companies to act as agents of the Board for the purpose of making provisional payments and receiving repayments. The operations of the Board in respect of the Prairie Grain Provisional Payments Act are dealt with in Parts II and V of this report.

The Prairie Grain Loans Act facilitated loans to producers in the designated area against the security of grain on the farm, whether harvested or otherwise. Under the provisions of this Act the lending banks were given certain guarantees in respect to the repayment of such loans.

The CHAIRMAN: Are there any questions?

Mr. HORNER (*Acadia*): I have just one quick question. There is no mention made about the regulation of feed mills here. Would that come under this item?

Mr. McNAMARA: I think we deal with it later on. That was not legislation.

Mr. HORNER (*Acadia*): I understand; it was a matter of regulation.

Mr. McNAMARA: Yes that is right.

Mr. KORCHINSKI: Have repayments been made of all these loans, and if not, what amount has not been recovered?

Mr. McNAMARA: I think we have the figures here.

Mr. KORCHINSKI: You might give me at the same time the total amount of the loans made.

Mr. McNAMARA: Yes, I think we have it.

Mr. EARL: We can get that for you. It is the Provisional Payments Act that you want, not the advances. That is a statement I will have to get for you later.

Mr. KORCHINSKI: Yes; and at the same time would you please get for me the number of farmers who took these loans?

Mr. EARL: Very well.

Mr. MUIR (*Lisgar*): Are they loans, or advances?

Mr. KORCHINSKI: They are advances, really.

The CHAIRMAN: Are there any further questions? If not, paragraph 3 "legislation" is agreed to. Now, let us turn to paragraph 4 "transportation".

Mr. EARL:

4. Transportation

The following table shows primary receipts from producers and principal movements of western grains in 1959-60 as compared with 1958-59:

	1959-60	1958-59
	(million bushels)	
Primary receipts from producers	517	552
Shipments from country elevators and platform loadings	525	524
Receipts at Pacific coast ports	137	155
Receipts at Fort William/Port Arthur	300	288
Shipments from Fort William/Port Arthur (lake and rail)	295	294

The crop year 1959-60 was characterized by a reduction in the volume of grain delivered by producers and a reduction in receipts of grain at Pacific coast ports. All other movements remained at about the same levels as in 1958-59. During the crop year producers' deliveries corresponded very closely to the elevator space created through domestic utilization of commercial grain supplies and exports. Domestic utilization remained at the level of the previous crop year, but exports of grains and flaxseed amounted to 357 million bushels, a reduction of 26 million bushels from the quantities exported in 1958-59. Adequate transportation was provided by the railways and lake vessel operators for the grain movement. At times, and particularly toward the end of the crop year, railway carloadings were limited by the volume of unload space available at terminal points.

ALLOCATION OF SHIPPING ORDERS

From August 1, 1959 the board operated under a new instruction from the Minister of Trade and Commerce with respect to the allocation of board shipping orders among elevator companies. Under date of July 30, 1959 the board stated the principles and the details of its new policy in respect to the allocation of shipping orders. In general terms, the new policy provided for:

- (1) The right of elevator agents to apply to their railway agents for out-of-order cars when their elevator is congested and unable to receive grain of kinds or grades generally offered by producers. Rules were established for the definition of congested elevators, and for the subsequent application of resultant shipments against the congested elevator provision or other shipping orders.
- (2) The board continued to allocate shipping orders to the head offices of elevator companies for distribution to their elevator agents. The percentage distribution to each elevator company was revised from time to time on the basis of each company's total receipts of wheat, oats, barley, rye and flaxseed from producers.

During the crop year elevator agents received 28,579 cars pursuant to the congested elevator provision. Of these cars, 13,719 were applied against current shipping orders available to local elevator agents.

The instruction of the Minister of Trade and Commerce provided for a review of the policy subsequent to July 31, 1960. After careful consideration, and on the recommendation of the board, the policy was continued for the crop year 1960-61 without amendment.

Mr. MANDZIUK: Going back to this allocation of shipping orders, I have a perennial problem relating to a number of points north of Brandon in my constituency, and particularly in Foxwarren. Probably Mr. McNamara is well aware of the fact that the Manitoba pool elevators are always complaining, and they have grounds for complaint, that they do not get enough shipping orders, and this congests their elevators while the line elevators still have space. This means that in order to deliver their quotas they are obliged to deliver their grain to the line elevators. What remedy is there for that situation? I had the same complaint in 1959 and I also had it in 1960.

I do not want to take up the time of the committee by reading a letter I received about the 1959 situation. I can give the letter to the board, but I ask what is the solution for the problem?

The impression created, and mind you it may be a wrong one, is that it is the terminal elevators of the pool which do not get shipping orders in proportion to the volume of grain they handle, and consequently there is congestion at the Lakehead. I wonder is this a common complaint or is it unique in my area?

Mr. McNAMARA: No, it is a complaint that develops in certain areas from time to time. Most of these complaints originate from farmer-owned elevator companies; but in general, in pursuance of the new policy instituted as a result of the Bracken commission, the elevator agent has the right, when his elevator is congested, to order a car and get a priority on it from the railway companies. That has gone a long way to ease the situation. I shall not say this has completely corrected the problem, but the complaints which the board received during the crop year from the producers were considerably less than before this policy was put into effect. However, we do run into difficulties, particularly towards the end of the crop year.

I have in mind a station in Saskatchewan where, due to availability of stocks of certain grades that have to be shipped to meet market requirements, and where the space in the particular market could accommodate a full seven bushel quota, then the elevator agents have the right to secure cars from the railways without reference to us, in order to relieve this congestion. However, if the seven bushel quota is full, we have asked the railways to transfer their shipments into stations where there are four, five or six bushel quotas. As a result of this, some of the companies are complaining they cannot use their own facilities because the railways have told them to put the cars into low quota points. This is correct, and when we get towards the end of the crop year this congested elevator policy is not as effective as it is during the crop year.

There are other problems related to the handling of grain. There is the situation at the Lakehead and the inability of the various companies to handle the grain themselves. Also there is an embargo placed on shipments for a period of time; but I see there are representatives of the farm organizations in attendance, and perhaps later at this meeting some of them will be dealing with problems relating to the policy being followed by the Canadian wheat board. In conclusion, I repeat that the policy inaugurated as a result of the Bracken commission has gone a long way to ease the situation, and there is less dissatisfaction now than there was prior to the adoption of that policy.

Mr. MANDZIUK: That is quite all right, but what governs orders at the terminals? It is not the wheat board?

Mr. McNAMARA: You mean the allocation of boats?

Mr. MANDZIUK: Yes. I understand there is a certain discrimination. The pool terminals do not get the boats they are entitled to in proportion to the business they are doing, and in a lot of cases they are doing more than 50 per cent of the business.

Mr. McNAMARA: The boats are allocated by the lake shippers' organization. We do not allocate the boats ourselves, but that organization takes into consideration the various factors, and I think the association is handling this distribution of boats quite equitably. The various companies seem to be getting their share under the formula adopted by the organization, but the question the pool organizations are raising is to see whether a formula could be devised whereby the amount of business they originate to the country could be used as the basis upon which boats are allocated to them.

Mr. MANDZIUK: Do you not think their request is quite reasonable?

Mr. McNAMARA: I would not go so far as to say that. This is something that even the Bracken commission did not recommend. Generally speaking, I think there are arguments on both sides of the question. The terminals are performing the service at the Lakehead and it is correct that the pools have expanded their facilities in recent years. I think this is the way the problem should eventually be solved, that an organization which is originating business in the country should have terminal capacity to handle the percentage of grain it is originating into the terminals. Mind you, I am not criticizing the pools in this regard because statistics indicate they have been following the policy by considerably increasing their facilities, and the balance is much more in relation to the volume of business they are originating than it was a few years ago.

Mr. MANDZIUK: Is this organization for allocating the boats an organization of the various grain dealing companies and does it include the pools?

Mr. McNAMARA: That is right. They are all members of it.

Mr. MANDZIUK: Have you any control over that association?

Mr. McNAMARA: We have never exercised any control, but it has been argued that under the provisions of the act we could.

Mr. MANDZIUK: That is what I thought.

Mr. McNAMARA: But, we have always refrained from doing so and I doubt very much the wisdom of our exercising control to the extent that it would mean we would take over the operations of the terminals.

Mr. MANDZIUK: While we are on this point, I should mention I have just received a letter from Brookdale, in my constituency. They say they have got orders for 40 cars of grain but, between now and the end of the year, due to the train service they get all they will receive will be 25 cars. How can that problem be solved?

Mr. McNAMARA: By the railway putting a better train service in there. This is always a problem on some of the branch lines towards the end of the crop year but, generally speaking, the railways are doing a terrific job of railroading for us. I am quite confident that by the end of the crop year we shall be able to equalize at least all six bushel quotas throughout the west and I am hoping, pending developments within the next few weeks, we shall do better than that.

Mr. MANDZIUK: Talking about the Foxwarren situation in 1959, this Manitoba pool elevator which was congested had to deliver its grain to line elevators on August 3, and yet two days after August 1, it received 12 cars. Now, if these twelve cars were available to load the grain at that time, why did they not come in before August 1?

Mr. McNAMARA: This is a problem of railroading. Undoubtedly the railway attempted to equalize in that particular situation.

Mr. MANDZIUK: You know how these people felt about that?

Mr. McNAMARA: I can appreciate their disappointment.

Mr. MANDZIUK: I believe the same situation is going to develop before the end of July this year, and I shall be 'phoning you or your solicitor, my former classmate.

Mr. PASCOE: Mr. McNamara has explained this pretty well, but he talks here about the distribution of shipping orders, and he indicates there is a revision of the policy in that connection from time to time. Could he indicate how often it is reviewed, and what factors are taken into consideration?

Mr. McNAMARA: It is revised every month. When this policy was inaugurated we started off allocating orders on the basis of the percentage of business each company had been securing from the procedures as at that time and then, when we went into September, we took 11 months of the actual business which the companies had secured, so that at the end of the first crop year the allocations were based on the actual percentage of business each company had originated during the previous year.

Mr. PASCOE: I understand that shipping orders go direct to the head offices of the companies?

Mr. McNAMARA: Yes. It is the responsibility of management to allocate the orders, and we control this in order to make sure enough is sent to the low quota points. Management decides which amount of the orders shall go to the individual points, subject only to the control we exercise. If we need 25 cars at a station to bring it up to a six bushel level, and there are four companies in that market, then we make sure we will not end up getting only 20 cars.

Mr. PASCOE: You state that the elevator agents have the right to apply to railway agents for cars when their elevators are congested. Now, at some small points where the railway agents have been removed, how do you arrange for the allocation of cars?

Mr. McNAMARA: I think the travelling superintendents and divisional superintendents could deal with the people responsible for the distribution of cars at these sidings.

Mr. PASCOE: I have just one more point. You state that domestic utilization of wheat remained at the level of the previous crop year. Is the domestic utilization not being increased due to the growth in population?

Mr. McNAMARA: So far as human consumption is concerned, diet is a factor. Also, in so far as the utilization of wheat for feeding is concerned, the limited availability of low capacity wheat is a factor. When we had large volumes of number six wheat, and even frosted number five wheat, there was a tendency for a certain proportion of it to be consumed in Canada, and the present low percentage of these low grades has affected consumption.

Mr. PASCOE: You think diet is a factor?

Mr. McNAMARA: It is not the only factor. When the standard of living of any country goes up there is a tendency for more meat and proteins to be used, as compared with the newer, developing countries which are just getting into bread consumption.

Mr. SOUTHAM: Possibly this is an isolated case so far as transportation is concerned. I have had several complaints regarding the C. N. branch line which runs down to my area in southeastern Saskatchewan and comes out at North Gate. Year after year we find shipments of American goods going down there, but there are complaints that the staff on the railway line are a little reluctant to stop and put off cars, and sometimes they will leave an elevator waiting for a long time for cars. Is that an isolated complaint?

Mr. McNAMARA: I think it is rather isolated. I have heard this story. In my own experience in the elevator business we used to run into problems of this kind, but generally they were corrected. It is a temporary situation. Both railways are making outstanding efforts to place cars where they are needed, and to equalize the quotas. I am satisfied that they will be able to do this at least to the six bushel figure prior to the end of July, and possibly even better than that.

Mr. SOUTHAM: They used to run down to the United States, and to put these men on more than their regular hours of run. This appeared to be a rather isolated complaint, and I just thought I would draw it to your attention.

Mr. McNAMARA: I think it is rather isolated, such as in cases where it is going into Yorkton, or some places where the crew is going right through and heading for home.

Mr. SOUTHAM: In your experience, due to the fact that the St. Lawrence seaway has been operating for some time, do you think it is helping to expedite the movement of grain to any appreciable extent, so far as the shipment to eastern ports is concerned?

Mr. McNAMARA: Yes, I would say that it was of benefit to Canada particularly in the movement of grain; but as a result our larger shipments out of Vancouver, the St. Lawrence is not what it has been previously. The St. Lawrence seaway has been very beneficial to the movement of American grain as well. American grain movement has benefited to a greater extent than the movement of Canadian grain.

Mr. SOUTHAM: Do you think that the St. Lawrence seaway in giving us these extra facilities, has given us an advantage, market-wise?

Mr. McNAMARA: I think the Americans are probably getting more of an advantage. We have always had the benefit of a water route, even though it was not direct and we had to ship via the directions of the transport board. But the St. Lawrence seaway has opened up for the Americans a new outlet which they did not enjoy previously to any degree.

Mr. NASSERDEN: Delivery quotas have been brought up. I have received a number of telegrams within the last few days, where they have 60 to 65 orders, and where they have not been receiving the cars. In some cases they have not received cars for three weeks. What is the situation there?

Mr. McNAMARA: We have orders in the hands of elevator agents to provide for better than the full six bushel quota. The railways are working on these orders, and shipments have been running from 1,500 to 1,600 cars a day. There has been excellent movement, and we have a larger number of orders than usual in the hands of the agents. Naturally we are not getting them all cleaned up at the same time, but generally speaking there has been movement at a much higher level than it has been for years. I refer to the present time.

Mr. FORBES: Is there sufficient terminal space to hold a six bushel quota?

Mr. McNAMARA: Yes. One of the problems we are worrying about is this: we have sold quite a volume out of the St. Lawrence but some of the boats are not arriving on schedule. So we are tightening up a bit in the St. Lawrence. If the situation can be relieved, it will be only a matter of a few days, if these boats can get into Montreal and St. Lawrence ports. However there is a possibility that the lakehead position will tighten up temporarily between now and the end of July. But as shipments are resumed, there is bound to be space in August. Nevertheless we do have some concern as to what the situation at the lakehead may be within the new few weeks if these boats do not "present" in the St. Lawrence to take delivery of this grain.

Mr. KORCHINSKI: Is Churchill filled to capacity?

Mr. McNAMARA: Yes. We fill it up in the fall, and we have orders going out in the next few weeks; it will be about the 15th of July.

Mr. KORCHINSKI: Have you any idea when the shipping season opens at Churchill?

Mr. McNAMARA: The first boat is expected there around July 28th.

Mr. MANDZIUK: Do your grain elevator agents send in reports giving an estimate of how much grain there still is on the farms?

Mr. McNAMARA: Yes.

Mr. MANDZIUK: And leading from that, I think you have areas where a four bushel quota practically cleans out the area. I had that around Elkhorn in 1959.

Mr. McNAMARA: Yes. It varies year by year. It occurred last year and the year before because when we got a five or six bushel quota, the delivery potential was being reduced, because many producers had run out of stocks at this level; but that has not been the case this year. We are finding this year that practically all producers are in a position to deliver full quotas. Our estimate of deliveries between the six bushel quota and seven bushel quota would indicate that there would be about 45 million bushels delivered, with an increase of one bushel between six and seven. With specified acreage of around 77 million acres, we feel we would have potential deliveries between six and seven bushels, and it still represents a large potential, of about 45 million bushels which would be available for delivery.

Mr. MANDZIUK: This leads to a supplementary question. I received quite a few complaints last year where the quota was raised, but there was not room at all in the elevators to have it filled. Is there much use—I am suggesting—in raising the quota, and then to have a farmer jump on somebody's back, because they cannot fill in any more?

Mr. McNAMARA: It is true that last year, as you know, the bulk of stations were put on a seven bushel quota. I think there were only 45 sixes. But many of those seven bushel quota areas we made it clear at the time that we could not guarantee that they would be provided with the full seven bushels. This raised the point as to whether the policy of the board should be to equalize the quota delivery opportunities, or whether we should continue to follow the policy that we have in the past of taking all this grain off the farms, as space would permit. I am personally very convinced that it has never been, and that it will never be, possible to equalize the producer-delivery opportunities completely unless you deliberately set a very low level, let us say of five or six bushels of quota; because after all, I think we are primarily a grain marketing organization, and we should be taking grain off the farms to the extent that it can be handled through our commercial facilities to meet our sales commitments. And if at the end of the year we have been successful in equalizing delivery opportunities within, let us say, a one bushel level, I think this is all that can be expected. We could equalize if we set a very low target, but I do not think that is the way to handle grain. I do not think the quota system was devised for this purpose.

Mr. MANDZIUK: Please do not consider my question to be casting any criticism or reflection on you. These are simply problems that we feel, and which have been brought to our attention.

Mr. McNAMARA: I quite appreciate that. And while I am on this point, I know that western members are actually anxious and concerned as to what will be the final level of quotas this year. We as a board have not yet been able to determine on the advisability of going above six. None of the stations have yet been increased above a six bushel level; but there is always an unknown factor that even the elevator agent cannot estimate at this time of the year with respect to the judgment of the individual producer, as to the volume of grain he wants to market during July, and this is often dependent on the outlook of his new crop. Last year we had gone to the seven bushel

level and had estimates from the elevator agents as to the quantity of grain that would be delivered at individual stations; but in some cases deliveries were in excess of the elevator agents' figures to the extent of 100,000 bushels. Now, what happened—and this is perfectly natural—is that during the latter part of July we were fortunate and the crop prospects improved, so producers decided it was not necessary to carry a reserve of feed or seed on their farms. They delivered every possible bushel they could.

This year I would think, with a potential of about 50 million bushels on farms, it will be held by the producers if weather conditions continue as they are, or will be delivered to us if we are fortunate to get rain and crop prospects improve. It is very difficult to estimate what 230,000 farmers will decide in the last two weeks of July. While I think the objective of equalizing opportunities is sound, this is one of the reasons why it is actually difficult at the end of the crop year.

Mr. HORNER (*Acadia*): I would like to ask a question in respect of transportation. You say here there has been a reduction in the volume of grain delivered at Pacific coast ports. Was this reduction in any way brought about by the railways curtailing shipments because of a fear they may have had that a lot of their boxcars would be tied up and that there would be no facilities for unloading because of the pending strike.

Mr. McNAMARA: It might have been a very minor reason for a few days when there was a possibility of a strike, but generally it was caused as a result of the fact that we had such a load for drying at the terminal elevators that it slowed down operations.

Mr. HORNER (*Acadia*): Further, on the matter of the drying, would you say that fifty per cent of the grain was dried at Vancouver?

Mr. McNAMARA: This is a quotation we made some time ago. During the winter months and extending until late in the crop year extensive drying operations were carried out at Pacific coast ports, at the lakehead and at the interior terminal elevators. 51.9 million bushels were artificially dried at the end of the crop year. Of this quantity, 21.3 million bushels were dried at the Pacific coast, 27.4 million bushels at the lakehead, and 3.2 million bushels at the interior terminals.

Mr. HORNER (*Acadia*): I have one further question on transportation. In moving 1600 boxcars a day—I think that is the figure which was suggested—would you say you have not had any shortage of boxcars as yet in the current movement of the crop.

Mr. McNAMARA: No. There was a period about a month or six weeks ago when we were becoming concerned with the transportation being made available, but following representations made to the railway companies this movement has picked up and is accelerated. Movement of grain out of country elevators so far this year is above that of last year, and I think the railways will continue to provide us with adequate service.

Mr. HORNER (*Acadia*): An old argument has been that the C.P.R. has been much more agreeable in providing boxcars at a good rate than the C.N.R. Is this borne out in today's movement, or has the C.N.R. been easier to get along with lately?

Mr. McNAMARA: This is always a matter of opinion. As a matter of fact this year it was the C.P.R. which was lagging and the C.N.R. was more up to date. The C.P.R. has picked up since that time with the result that both are considerably ahead of last year. I cannot press this point too much; generally speaking from both railways we are receiving excellent cooperation in the transportation of grain at the present time. We have no complaints at all in respect of the rail service being provided.

Mr. MUIR (*Lisgar*): I would like to ask Mr. McNamara a question in respect of the allocation of shipping orders. I think you mentioned that you allocate them on the basis of the handlings of the different companies and therefore distribution of cars is left more or less with the companies themselves among their own elevators.

Mr. McNAMARA: Within the quota structure. We would not let them put too many into a station where there is space for six; but within that control it would be left to them.

Mr. MUIR (*Lisgar*): I think it had been noted, particularly early in the season, that the elevator companies were inclined to send the cars out to their more competitive centers with the result that the ones sitting off alone usually were late in getting their quotas reached. Do you find that it is better since you have been more or less working along the lines of the Bracken report?

Mr. McNAMARA: No; I do not think there is much of a change in this regard. There is still active competition between the companies, which I think is to the advantage of the producers in a competitive market. I think the points where they compete are watched a little more closely than, say, some of the single elevator houses; but in fairness to the companies, they are putting a good share of their orders into these single elevator points, and I think it will be equalized.

Mr. MUIR (*Lisgar*): I was thinking about the earlier part of the season. It usually ends up with the same quota.

Mr. McNAMARA: Yes.

Mr. MUIR (*Lisgar*): There have been complaints from the single elevators that the competitive points are getting the advantage in the distribution.

Mr. McNAMARA: I would suggest that the competition which exists between these companies in this regard is a natural and probably a good thing for the producers.

Mr. ROGERS: One of my questions was covered by Mr. Forbes. I notice that you say domestic utilization remained at the level of the previous crop year. We hear a lot of figures in respect of our home consumption. What is the average home consumption percentagewise in wheat?

Mr. McNAMARA: It runs around 150 million bushels a year out. This includes the disappearance on the farms. Our grain which is delivered into a commercial position I think runs around 75 million bushels. I believe we have a table showing the domestic utilization.

Mr. ROGERS: I have heard figures like fourteen per cent.

Mr. McNAMARA: Fourteen per cent of our production?

Mr. ROGERS: On an average.

Mr. McNAMARA: Mr. Davidson and Mr. Riddel tell me it is only about 160 million bushels a year which includes feed, seed and milling.

Mr. SOUTHAM: I think there is some confusion as to the domestic consumption and the overall human consumption of wheat in Canada.

Mr. McNAMARA: If you look at table IV at the back of the report you will see that we show the figures for the domestic disappearance on the farms and the commercial consumption. For the crop year 1959-60 the farm disappearance was 81,925,000 bushels and commercial 65,821,000, or a total of about 147 million bushels that crop year. For the previous year, it was 166 million. Does that give you the information you want?

Mr. SOUTHAM: Could you give us the figure of what goes into human consumption in Canada?

Mr. McNAMARA: Just a minute now; I am getting different answers. The 166 million includes feed. 45 million bushels goes in for human consumption, and this is a pretty consistent figure.

The ACTING CHAIRMAN (*Mr. Rapp*): Mr. Korchinski has the last question on this item; then we will move on to the next one.

Mr. KORCHINSKI: Mr. McNamara, I was wondering if you could give an indication of what amount of grain came in on a one-bushel quota.

Mr. McNAMARA: The specified acreage is about 77 million acres. Therefore, a full delivery, if everyone took advantage of it, would mean 77 million bushels.

Mr. KORCHINSKI: You mentioned that you are shipping grain at the rate of 1600 cars par day. I figure, roughly, that at 1600 bushels per car—or, it could be more—

Mr. McNAMARA: That is very low.

Mr. KORCHINSKI: That is low, is it?

Mr. McNAMARA: It should be around 2,000 bushels.

Mr. KORCHINSKI: Well, I figured it at 1600, roughly, which would mean $2\frac{1}{2}$ million bushels per day. If you figured it at 2,000, it would bring it up to about 3 million.

Mr. McNAMARA: Yes.

Mr. KORCHINSKI: So, we have another 30 days left in which we possibly could move 90 million bushels.

Mr. McNAMARA: Yes, out of country elevators. That would be about right.

Mr. KORCHINSKI: So, if your one-bushel quota then represents something like 77 million, you could only accept a one-bushel quota all across the board, really.

Mr. McNAMARA: No. This is not very good arithmetic, because a number of the points still have not the full space required for a six-bushel quota, as a result of which some of these shipments will be required to take the six bushels at all points. As indicated earlier, the agents have estimated to us, an increase from six to seven would not bring in 77 million, but only 45 million bushels, or the equivalent of about 22,000 boxcars. In equalizing it at seven as compared to equalizing it at six, we estimate we would require an additional 22,000 boxcars. Now, to equalize at six, we require, if the figures in my mind are correct, 35,000 between now and the end of July, and another 22,000 would bring it up to 57,000, which would be what is required between this last date I have in July—the 14th.

Mr. HORNER (*Acadia*): Let us move on.

The Acting CHAIRMAN (*Mr. Rapp*): Gentlemen, shall we proceed to item 5? We will have item 5 read, and then I think we will leave the questions on item 5 until after the adjournment, at two-thirty this afternoon, as everyone wants to be in the house a minute or two before the opening.

Mr. EARL:

5. Delivery Quotas

On July 28, 1959 the board announced the main features of its delivery quota policy for the ensuing crop year. Effective on August 1, 1959 an initial quota of 100 units of grain was established, each unit consisting of 3 bushels of wheat, or 5 bushels of barley, or 5 bushels of rye, or 8 bushels of oats, or any combination of these grains amounting to 100 units. At the same time the board announced that the initial quota would be followed by general quotas based upon each producer's specified acreage. Specified acreage consisted of each permit holder's

acreage seeded to wheat (including durums), oats, barley and rye, as well as summerfallow and eligible acreage seeded to cultivated grasses and forage crops.

The crop year commenced with initial quotas in effect at all delivery points. The first general quotas were established in late September and these quotas were extended and increased as local space became available.

The crop year ended with a maximum general quota of 7 bushels per specified acre. Maximum general quotas were in effect throughout Manitoba at the end of the crop year; while a general delivery quota of 7 bushels per specified acre was in effect throughout Saskatchewan and Alberta, excepting at 5 and 40 stations, respectively.

In July, delivery quotas moved upward very rapidly. On July 1st, 99 stations were on a 5 bushel general quota, 1,313 stations were on a 6 bushel general quota, and 595 stations were at the crop year maximum of 7 bushels per specified acre. Early in July, 5 bushel quotas were completed and the railways concentrated on providing cars at stations which still remained on a general quota of 6 bushels.

On July 18th the board announced that where sufficient space was available in local elevators, country elevator agents could jointly request an increase in delivery quotas to 7 bushels per specified acre. In authorizing such quota increases the board did not undertake that space would be available at all points to enable all producers to deliver the new quota. Substantial progress was made in the last half of July in increasing 6 bushel general quotas to the maximum level of 7 bushels. The crop year ended with 45 stations on a 6 bushel general quota and 1,962 stations on the maximum delivery quota of 7 bushels per specified acre. The upward adjustment of delivery quotas during the month of July resulted from the shipment of about 45 million bushels of grain from country elevators.

Under the delivery quotas which were established for the crop year 1959-60, producers delivered, during the months of June and July, 167 million bushels of wheat, oats and barley, as well as smaller quantities of flaxseed and rye. Exports and domestic utilization of grain for the final two months of the crop year amounted to approximately 82 million bushels. Therefore, during the final 60 days of the crop year over 80 million bushels of grain were added to commercial supplies throughout Canada. The result was that on July 31, 1960, stocks of grain in elevators in Canada amounted to 501 million bushels. At this time the seasonal working capacity of all elevators was estimated at 521 million bushels. Elevator congestion, particularly at the Lakehead and in eastern positions, had a bearing upon board operations in the early part of 1960-61.

BARLEY

Over-quota provisions for the delivery of barley suitable for malting were continued in the crop year. Effective August 1, 1959 producers were authorized to deliver one carlot of barley suitable for malting, providing a sample of such barley had been accepted by a maltster or shipper on a premium basis.

OATS

On November 25, 1959 the board authorized a supplementary quota of one carlot of oats suitable for rolled oats or oat groats. On December 2 provision was made whereby producers could deliver one carlot of commercial seed oats on an over-quota basis.

FLAXSEED

The initial quota for flaxseed was established at 5 bushels per seeded acre, with a minimum delivery of 200 bushels. This quota was established pending further information about 1959 flaxseed production. Flaxseed was placed on an open delivery quota basis on October 13, 1959.

SOFT WHITE SPRING WHEAT

On November 16, 1959 a supplementary quota of 5 bushels per seeded acre was established for soft white spring wheat. On February 11, 1960 the supplementary delivery quota was increased to 10 bushels per seeded acre, and later in the month to 15 bushels per seeded acre. On April 5 the supplementary quota was increased to 20 bushels per seeded acre, and on May 9 soft white spring wheat was placed on an open quota basis.

RYE

There were no supplementary quotas for rye during 1959-60. Therefore, all deliveries of rye were under general quotas.

DAMP GRAIN

On December 17, 1959 the board announced that damp wheat, oats, barley and rye could be delivered up to 2 bushels in excess of established delivery quotas at individual stations. On January 4, 1960 the board announced that damp wheat, oats, barley or rye could be delivered up to 5 bushels per specified acre in excess of established delivery quotas at individual stations, providing total deliveries under each delivery permit did not exceed 6 bushels per specified acre.

SEED GRAIN

The usual provisions were made whereby producers could secure registered and certified seed on the basis of limited over-quota deliveries of commercial grades.

DELIVERIES OF GRAIN

Under delivery quotas established in 1959-60 producers delivered a total of 517 million bushels of grain and flaxseed as compared with 551 million bushels delivered in the previous crop year.

The following table shows the general delivery quota position, at the end of quarterly periods, during the crop year 1959-60:

	October 31 1959 General	January 31 1960 General	April 30 1960 General	July 31 1960 General
Initial quota.....	759	—	—	—
1 bus. per specified acre.....	951	299	—	—
2 bus. per specified acre.....	303	642	—	—
3 bus. per specified acre.....	—	600	526	—
4 bus. per specified acre.....	—	465	662	—
5 bus. per specified acre.....	—	3	510	—
6 bus. per specified acre.....	—	—	309	45
7 bus. per specified acre.....	—	—	2	1,962

Could I answer Mr. Korchinski's question?

The ACTING CHAIRMAN (Mr. Rapp): Proceed.

Mr. EARL: Under the provisional payments legislation, a total of \$1,025,839 was advanced to 2,309 producers and, of this amount, \$25,173 is still outstanding.

Mr. HORNER (*Acadia*): This is under the loans, is it not?

The ACTING CHAIRMAN (*Mr. Rapp*): This meeting now stands adjourned until two-thirty.

AFTERNOON SITTING

MONDAY, June 26, 1961.

The CHAIRMAN: Will you come to order, please. We had finished reading the item on delivery quotas. Are there any questions on this?

Mr. MUIR (*Lisgar*): Where is the soft spring wheat produced?

Mr. McNAMARA: In Alberta.

Mr. HORNER (*Acadia*): In the Acadia valley.

Mr. MUIR (*Lisgar*): Is there much of it produced?

Mr. McNAMARA: No.

Mr. W. E. ROBERTSON, (*Commissioner, Canadian Wheat Board*): It is grown in the Brooks area north of Medicine Hat.

Mr. MUIR (*Lisgar*): Is it a spring wheat?

Mr. ROBERTSON: Yes. It yields very well under irrigation.

Mr. HORNER (*Acadia*): Here you have outlined quite extensively the various grains, but you have not given any thought to including rapeseed, apparently, under the quota. I have always thought that rapeseed should be included in the specified acreage and should be listed here.

Mr. McNAMARA: Under the Canadian Wheat Board Act rapeseed is not yet designated as a grain; it has been under the Canadian Grain Act. This would require an amendment to our act.

Mr. HORNER (*Acadia*): I do not have the act in front of me, but I believe it reads to the effect that the grain shall include wheat, oats, barley, flax and rye. It does not say it shall exclude rapeseed.

Mr. McNAMARA: Could I ask our solicitor to deal with this point.

Mr. H. B. MONK, Q.C. (*Solicitor, Canadian Wheat Board*): Grain is defined under the statute as follows: grain includes wheat, oats, barley, rye and flax-seed. We have regarded those as being the grains that are subject to quotas.

Mr. HORNER (*Acadia*): In other words it is your opinion that in order to have rapeseed qualify in the specified acreage and be subject to quota it would have to be included in your Wheat Board Act.

Mr. MONK: Yes.

Mr. HORNER (*Acadia*): And you would think that would be the only way it could.

Mr. MONK: I do not say it might be the only way; but it would be one of the ways.

Mr. MUIR (*Lisgar*): Could it not be just put in the regulations governing the wheat board?

Mr. MONK: I do not think we have the power to extend the quota to matters not covered by the statute.

Mr. HORNER (*Acadia*): The statute just says it shall include; it does not say it shall exclude. It just wants to ensure that it includes those five.

Mr. PASCOE: It says here that the crop year commenced with initial quotas in effect at all delivery points. In view of the early harvest this year, if you have six or seven bushels will there still be room for the initial quota?

Mr. McNAMARA: There will not be room for the full initial quota. About one hundred million bushels of grain comes in under the unit quota and there will not be space available at the first of the crop year. A lot will depend on the outcome of the new crop. Shipments have been particularly good out of the west coast and a fair share of shipments out of the eastern ports, as well as domestic requirements and also Churchill; so, I am anticipating that space will open up for the unit quota this year somewhat more rapidly than it has for the last three years.

Mr. FORBES: A number of the oats producers have been making complaints that the oats quota is not equitable to wheat; that is, that it does not have the same value. They feel it should be on the basis of value and not quantity.

Mr. McNAMARA: You will remember that last year on account of the limited supply of oats which we had in commercial position at the beginning of the crop year, we raised the provision in respect of the delivery of oats under the unit quota from 800 bushels to 1000 bushels. That brought in considerably more oats. Since that time it was necessary to put a supplementary quota on oats. So they are delivering oats outside the specified acreage at the present time and the oats deliveries are about double this year over last year. The elevator agents are estimating another thirty million bushels of oats might be delivered this year.

The information I received today during the lunch hour would indicate that there is quite a lot of concern in certain areas in Manitoba and Saskatchewan about the feed grain situation. It is quite possible that in many areas the oats deliveries will dry up; that is, that farmers will start holding back supplies from the old crop. This will necessitate further action in regard to oats quotas in areas where supplies are available for commercial marketing.

Mr. FORBES: The oats producer has a most difficult time in getting by. He is not allowed to collect much money on his oats.

Mr. McNAMARA: This varies from year to year. Two or three years ago in respect of oats deliveries we paid carrying charges on the storage of the oats of nine cents per bushel. The quantity of oats carried in commercial position was far out of line with the market potential. In those years we had a loss in the oats pool due to the cost of carrying it.

Mr. FORBES: I think a lot of people today are trying to produce wheat when their land is more adaptable to oats. They would continue to produce oats if they could market them on an equitable basis.

Mr. McNAMARA: For the last few years we have not been successful in marketing any oats into the United States, which is our only main consumer outside of Canada. If we take in too much, the storage charges will eat into the revenue, which will result in a lower payment for the oats. It has to be related to the market potential. I am hoping that our oats will again be competitive in the United States market. We used to market 20 million to 25 million bushels a year into the New England states. If an adjustment takes place and we get back into this United States market we will take a lot more oats off the farm.

Mr. DOUCETT: What is the surplus of oats and barley right now?

Mr. McNAMARA: We are carrying about twenty-one million bushels of oats in commercial position; that is, in the elevators and terminals. When you say surplus, I would question if there is any surplus at all on oats. The situation in the prairies is such that deliveries are slightly down. There must have

been a large carry-over, over and above farm requirements, at the end of July. We will have to take more oats to meet our commitments. So I do not regard oats as being in surplus supply at the present time.

Mr. DOUCETT: What is the position in respect of barley?

Mr. McNAMARA: About 53 million bushels as compared to 42 million last year. Exports of barley have been very disappointing this year. It is only as a result of recent sales to China that we have been able to move barley in any volume for export. I am speaking of feed barley. We have moved a limited quantity of malting barley to the United States. We have been selling fairly substantial stocks of malting barley in the United States in the last few weeks.

Mr. RAPP: I would like to see the Canadian wheat board make arrangements so that at the start of each crop year room is available to take the initial quota. Last year there were places where farmers, because of lack of room, could not deliver their initial quota. If the seven-bushel quota were opened up this year there would be no room available at these places for the new crop to come in. I would sooner see room available for the 100-unit initial quota, because it is very important—300 bushels of wheat or four or five hundred bushels of oats and barley. It is very important that the farmer get an opportunity to deliver his initial quota.

Mr. McNAMARA: I know, Mr. Rapp, that this is a view which is quite widely held in western Canada. I personally do not subscribe to it.

I think that the question of the equalization of quotas and the creating of room for, say, 100 million bushels by the first of August would cause marketing difficulties. Take, at the present time, particularly in Alberta and western Canada; there are certain grades of wheat which we are short of, namely No. 4 and No. 5 wheat. We are having some difficulty now in getting sufficient supplies of No. 3 wheat to the west coast to meet our Japanese and Chinese requirements. I think it is most important that we keep the grain that is required coming into the pipeline, and have the elevator companies ship it. To me, we are a marketing agency and we should be taking the supplies and putting them into saleable position.

While I can appreciate the desire of some growers to have their quotas equalized and have readily available space in country elevators to which they could deliver their unit quota by the first of August, I think that should be secondary to the marketing potential.

As I indicated earlier, we have heavy commitments for August right to the end of the calendar year out of the west coast. We have a heavy program out of Churchill, again this year, and a larger than normal program out of the St. Lawrence, and I believe that shipments through August and September, prior to the new crop moving, will have created a lot of space.

I would not say we could take a unit quota immediately, but it will be taken more rapidly, I think, this year.

Mr. RAPP: I appreciate your explanation, because we are confronted by farmers in connection with that question quite often when the new crop year starts out and there is no room available for the initial unit. However, I can see your point, and it is a point very well taken. But, at the same time, you must appreciate that I have to be in a position to give that information out.

Mr. HORNER (*Acadia*): I would like to have this point clarified. Does rapeseed come under the specified acreage?

Mr. McNAMARA: No. Specified acreage is an instrument of the board. That is our responsibility, and in calculating on the permit book, we do not take rapeseed, which is a cash crop. We do not take sunflower or sugar beets. We only take wheat, oats, barley, flax, rye and soil improvement crops, and not cash crops.

Mr. HORNER (*Acadia*): On that very point, if a person had, say, a surplus of wheat and decided to get into the production of rapeseed, he then would not be given a permit book—where he had all his land seeded to rapeseed in any particular year, whether or not he had a surplus of other grains.

Mr. McNAMARA: If he discontinued growing wheat—grain, and went solely into rapeseed, he would not be eligible for a wheat board delivery permit. However, if he had a carry-over of grain, we would give a special permit to allow him to deliver grain which he produced while he was a producer of grain.

Mr. HORNER (*Acadia*): In other words, there is nothing in the Wheat Board Act which prohibits him from growing rapeseed to qualify under your specified acreage?

Mr. McNAMARA: No.

Mr. HORNER (*Acadia*): It is just a regulation or ruling on the part of the wheat board?

Mr. McNAMARA: Yes. Are you talking about specified acreage? We could have it in that way if we desired, but we could not put a quota into effect. The two things are separate—the definition of a grain and the specified acreage.

Mr. HORNER (*Acadia*): I would think that it should qualify under your specified acreage, and perhaps you would take this into consideration. This is my opinion.

Mr. RAPP: Mr. Chairman, I think exception should be made with rapeseed, because we pay the 1 per cent P.F.A.A. on all the rapeseed that is delivered. In connection with sunflower and any other grain that is delivered, they never are charged that P.F.A.A. rate.

How would you suggest that we could get rapeseed on the same basis as for the other grain?

Mr. McNAMARA: In so far as the quota provisions are concerned, the question is under consideration on the recommendation from the board as to the advisability of amending our act to include rapeseed as grain, the same as flax and rye. However, our act has not been opened during the last few sessions and this amendment has not been brought to the attention of parliament. Personally, I consider it is not advisable because if people other than yourself were promoting the growth of rapeseed we would get into a situation where the movement of rapeseed would interfere with the movement of other grains at country elevators and, under such conditions, I think we should have the power to quota rapeseed. In other words, if it started to back up into the country, and they became congested, I think we should have the power to quota it the same as flax and rye.

Mr. MUIR (*Lisgar*): You suggested a while ago that you thought our exports to the United States in oats and barley would come up somewhat this year. Are you saying this on account of the discount position of our dollar?

Mr. McNAMARA: Well, the spread between the Winnipeg market and Chicago market has been narrowing, and if we get to the point where Canadian oats can be laid down in the United States, thereby competing with their oats, our trade will immediately start taking advantage of that situation—and this was the normal situation in so far as oat marketing was concerned a number of years ago. However, during the last few years, and particularly since the Americans have been subsidizing their oats for export, our prices have been out of line with theirs to the extent that there has been no marketing for Canadian oats in that particular area. We used to sell a lot of heavy oats for racehorses and things like that in the United States.

Mr. MUIR (*Lisgar*): Do you adjust your prices according to the discount, or what?

Mr. McNAMARA: The wheat price, yes.

Mr. HORNER (*Acadia*): The oat prices, as well?

Mr. McNAMARA: Well, they are handled through the future market in Winnipeg. The level is determined by the level of the market in Winnipeg.

Mr. HORNER (*Acadia*): Then, it would be adjusted?

Mr. McNAMARA: Yes. They reflect the value. There has been an increase in all our grain prices as well.

Mr. FORBES: And this will take place from time to time?

Mr. McNAMARA: Yes.

Mr. BOULANGER: Mr. Chairman, we are talking about all kinds of things except item No. 5. If we are going to talk about everything else, I would like to talk about the feed business in the east. Would I be allowed to do that?

Mr. MUIR (*Lisgar*): On a point of order, Mr. Chairman, I am talking in connection with item No. 5, concerning oats, barley and flaxseed. These grains are listed, and I want some information on these items within item No. 5. I am going to get this information as long as I am a member of this committee.

I have one more question and then I will pass. Did I understand you to say that our oats have not been competitive with the American oats?

Mr. McNAMARA: That is right.

Mr. MUIR (*Lisgar*): Their prices have been lower than ours?

Mr. McNAMARA: Yes.

Mr. PASCOE: It mentions about setting a quota on a specified acreage, and then it says "including Durums". This is in reference to last fall when there was an open quota on Durums. However, they can still deliver the wheat on that specified acreage. Do you receive many complaints on that?

Mr. McNAMARA: No. At the first of the season, when we opened the quota on Durums, there was some concern in the country; however, when it was explained this market had developed and we could move it right out of Canada, that explanation was well taken.

I might mention, as well, that our exports of Durum this year will be around 40 million bushels. We will have cleaned out practically all the Durum in commercial position in Canada by the end of the crop year.

Mr. SOUTHAM: I have a supplementary question: Was the demand for Durum for food or seed purposes?

Mr. McNAMARA: Mostly for feed purposes, macaroni and seminola.

Mr. SOUTHAM: I had a report—and I was trying to confirm it—that a certain amount of it was going to be used for seed purposes.

Mr. McNAMARA: I would think a very limited portion was used for seed.

The CHAIRMAN: Do you have a question, Mr. Boulanger?

Mr. BOULANGER: On this item?

The CHAIRMAN: Yes.

Mr. BOULANGER: No, I do not.

Item 5 agreed to.

On item 6 "handling agreement".

Mr. EARL:

6. Handling Agreement

In the 1959-60 Handling Agreement with elevator companies, handling margins remained at $4\frac{1}{2}$ cents per bushel for wheat and barley and $3\frac{1}{2}$ cents per bushel for oats. The storage rate was unchanged from the previous crop year, being $1/30$ th of a cent per bushel per day

for wheat, oats and barley in store country elevators. The terminal storage rate, subject to maximum tariffs as established by the Board of Grain Commissioners for Canada, continued at 1/30th of a cent per bushel per day.

Following negotiations between the handling companies and interior mills, the diversion charges on wheat shipped to such mills remained unchanged from the previous crop year. Similarly, diversion charges applicable to interior terminals, Churchill and Prince Rupert were unchanged.

Mr. KORCHINSKI: I was wondering if there was any indication from any of the companies that they might increase their handling charges, or would like to have the handling charges increased?

Mr. McNAMARA: I do not know whether or not they would like it, but we were successful in negotiating an agreement with them last fall to maintain the same prices which had been in effect for a number of years. I reported to the committee that we as a board were naturally always anxious to reduce our costs to the greatest extent that it was possible, and that we negotiate with the idea of reducing prices; but we have not been able to effect a reduction in recent years. I think I also mentioned to the committee that in fairness to the trade it should be pointed out that the handling charges on wheat oats and barley, which are in effect, are pre-war, and that on the storage there has been no increase. But of course the volume of grain we have carried in store elevator, 1956, as compared to this has greatly increased the earnings.

Mr. KORCHINSKI: For this agreement you negotiate on a yearly basis?

Mr. McNAMARA: Yes, it is done on a yearly basis.

Mr. KORCHINSKI: Is there any possibility that eventually we may do away with the diversion charges some time?

Mr. McNAMARA: I would doubt it very much. This question of the determination of diversion charges has been asked for years. The operation of a terminal is part of the overall operation of any elevator company; they have their country elevators and they have their terminals. If you try to separate the terminals from the country elevators, you put thereby a much heavier burden on the country elevator charges. If you take the grain away from the country elevator company and deprive them of the potential earnings on that grain in their terminals, they will lose out on their overall operations. I cannot foresee it being abandoned, with merely a diversion from the country-owned terminal, let us say, to Prince Rupert, to a government terminal, where they do not participate in the potential earnings on that grain. It is only reasonable that they should be allowed to have diversion from time to time, and the same applies to Churchill.

Mr. CLERMONT: Mr. Chairman, under which heading are we to discuss deliveries to the east of wheat, oats, and barley?

Mr. McNAMARA: We are prepared to have a full discussion of this question. We are keenly interested in the problem. In our supplementary report we make special reference to it, and in addition we have some data we are prepared to file with the committee. But it is up to the committee. Nevertheless it will come up formally for discussion under our supplementary report.

Mr. PASCOE: In regard to storage charges, I am thinking about off-site storage, and the use of such off-site storage as roundhouses. Would there be the same storage charges in payment for off-site storage in such locations?

Mr. McNAMARA: Yes. We would pay the country elevators the same rate. They assume the same responsibility for the quality and condition of the wheat, actually delivered to us at Fort William; therefore they get the same storage charges on off-site storage as they would on primary storage.

Mr. PASCOE: Is there any agreement as to how long the wheat will stay in there?

Mr. McNAMARA: No.

Mr. PASCOE: You say the handling would be the same as if it were going through the elevators?

Mr. McNAMARA: Yes, they can be the same. As a matter of fact the policy we have been pursuing is to try to turn over the stocks of what we call off-site storage. I believe now we have moved out of off-site storage all grain delivered prior to 1956. This year we will probably be completing 1956. There was very little grain which went into that type of off-site storage since that time; I am referring to such places as curling rinks. The only off-site storage for licence now is off-site storage which is serviced by a railway on track; so this type of off-site storage which was brought about in the pre-war period is being abandoned.

Mr. KORCHINSKI: Could you give us an indication of how much grain is in storage in off-site storage?

Mr. McNAMARA: I do not believe we have those figures, but we could get them for you by checking with Winnipeg. I think probably our country operation would have that information available quite readily. It is just a limited quantity now.

Mr. HORNER (*Acadia*): This is $\frac{1}{30}$ of a cent per bushel per day; that is what is paid out to the country elevator. It is true that the government interior elevator receives storage at a lower rate?

Mr. McNAMARA: We pay the government interior elevator $\frac{1}{45}$ as compared to $\frac{1}{30}$; We are not discriminating against the government elevators, but the cost of moving grain into a government elevator is more expensive than it used to be, as there is a special charge over and above the normal handling charge. But they have recently been increasing the transit charges. Mr. Riddell has some information on it which he could give you.

Mr. HORNER (*Acadia*): You say it has been increased?

Mr. McNAMARA: The railways—and I am speaking from memory—say that it costs four or five cents a bushel now for the initial movement to put grain into interior elevators.

Mr. HORNER: Why would it cost the railways more to move grain to one elevator than to another?

Mr. McNAMARA: They assess a special charge; and they increase this special charge every six months so that it becomes a very expensive operation. I told Mr. McConnell quite recently that if the board were to pay a higher rate for storage in interior terminals, we should not be using those interior terminals, because they are too expensive. It is only because we can store grain cheaper in those facilities that we consider using them at all.

Mr. HORNER (*Acadia*): I cannot understand how this formula with the railways increases every six months.

Mr. McNAMARA: We will get that information for you, and I will give it to you tomorrow in detail. I will give you a breakdown of it, if you would like it. We have some information on this, this matter of the initial charge for putting wheat in government elevators; it is, $1\frac{1}{4}$ cents per bushel, and the diversion charge is $1\frac{1}{2}$ cents per bushel, which along with stop-off makes the total of $4\frac{1}{2}$ cents a bushel. And if the grain is later re-shipped to an elevator company, and it is shipped out, we get a refund of the diversion charge. But Mr. Riddell will explain this.

Mr. RIDDEL: That is provided the grain is not tough or damp, and that it does not contain a high dockage, that is, a dockage of over $2\frac{1}{2}$ to 3 per cent.

Mr. HORNER (*Acadia*): The government elevator will not take it if it has a high dockage?

Mr. RIDDEL: Yes, the elevators will take it, but they suffer a loss if that grain has a very high dockage.

Mr. McNAMARA: When wheat is stored in interior terminals and later re-shipped, the board pays the railway a stop-over charge. This charge is based on the length of time the wheat is stored in terminals, that is, up to 12 months, 3 cents per 100 pounds; 12 to 24 months, $5\frac{1}{4}$ cents per 100 pounds; 24 to 36 months, $7\frac{1}{2}$ cents per 100 pounds; 36 to 48 months, $9\frac{3}{4}$ cents per 100 pounds; 48 to 60 months, $11\frac{3}{4}$ cents per 100 pounds; 60 to 72 months, $13\frac{3}{4}$ cents per 100 pounds; and from 72 to 84 months, $15\frac{3}{4}$ cents per 100 pounds.

Mr. HORNER (*Acadia*): In respect of the operations of the government terminal, is it the policy to leave the wheat there for a long time, once it is there?

Mr. McNAMARA: Yes. We consider that, in our operation generally, as dead storage; but it is also valuable at times when we get into a situation like we did in Vancouver where we are behind on our shipping. This is clean grain which we can rush out to meet a particular commitment. We have found it useful at times in Vancouver and Churchill; we have moved stocks from Saskatoon.

Mr. HORNER (*Acadia*): What would this stop-over charge amount to in a year to the railroad?

Mr. McNAMARA: We will get this information for you. Speaking quite frankly I can see no reason why the railways are assessing us this particular charge. We have argued with the railways that once they moved it into an interior terminal and it stays there for six or twelve months, we do not think they should get an extra earning.

Mr. HORNER (*Acadia*): That is my point.

Mr. McNAMARA: I think we are in agreement on this.

The CHAIRMAN: 1959-60 pool account—wheat.

Mr. EARL:

7. 1959-60 Pool Account—Wheat

POLICY

In accordance with the Canadian Wheat Board Act, 1935, as amended, the Board administered an annual pool for wheat delivered to the Board between August 1, 1959 and July 31, 1960.

The fixed initial price for wheat for 1959-60 was \$1.40 per bushel basis No. 1 Northern Wheat in store Fort William/Port Arthur or Vancouver. This initial price was authorized by Order in Council P.C. 1959-788, June 22, 1959. Initial prices for grades of wheat other than No. 1 Northern were established by the Board and approved by Orders in Council.

Under Order in Council P.C. 1959-788, June 22, 1959, the Board was required to sell wheat, other than Durums, for domestic use at the same price as it sold wheat for registration under the International Wheat Agreement.

BOARD RECEIPTS

The following table shows receipts of wheat from producers, by months, for the period from August 1, 1959 to July 31, 1960:

	Bushels
August, 1959	2,470,711.6
September	15,897,269.3
October	20,767,216.5
November	31,698,680.5
December	36,841,566.6
January, 1960	32,218,945.7
February	19,019,624.2
March	14,673,961.2
April	26,364,643.4
May	42,386,670.6
June	52,368,832.2
July	82,730,252.4
TOTAL	377,438,374.2

Board receipts from producers in 1959-60 were 377,438,374.2 bushels as compared with 366,994,151.9 bushels in the previous crop year. Producers' deliveries of wheat were relatively small during the first three months of the crop year but increased during the November-February period. Over one-half of wheat deliveries for the crop year occurred in the final four months.

Of receipts from producers, 39.6 million bushels were graded as tough and 26.2 million bushels as damp.

GRADE PATTERN

The following table shows receipts from producers, by principal grades, for the crop year 1959-60, along with the percentage of total receipts represented by each of the principal grades:

Grade (Including Toughs and Damps)	Bushels	% of Total
No. 1 Northern	2,114,101.3	.56
No. 2 Northern	119,948,351.0	31.78
No. 3 Northern	131,843,747.1	34.93
No. 4 Northern	43,385,513.4	11.50
Nos. 1 to 4 Durum (including Extra 4 Durum)	19,159,365.8	5.08
Nos. 1 to 3 Garnet	393,350.1	.10
No. 5 Wheat	45,514,528.2	12.06
No. 6 Wheat	7,375,908.1	1.95
Feed Wheat	590,312.8	.16
Other grades	7,113,196.4	1.88
TOTAL	377,438,374.2	100.00

Two-thirds of Board receipts of wheat in 1959-60 consisted of the grades No. 2 Northern and No. 3 Northern. Receipts of these grades were 119.9 and 131.8 million bushels, respectively. Two factors continued to increase Board receipts of No. 4 Northern, No. 5 Wheat and No. 6 Wheat; these were frost damage sustained in central and northern areas of Saskatchewan and Alberta, and weathering as a result of the

delayed harvest. Receipts of No. 4 Northern were 43.4 million bushels. Receipts of No. 5 Wheat and No. 6 Wheat were 45.5 and 7.4 million bushels, respectively.

TOTAL WHEAT STOCKS—1959-60 POOL

Total wheat stocks in the 1959-60 Pool were 528,175,483.3 bushels, consisting of 377,438,374.2 bushels received from producers, 148,495,836.2 bushels transferred from the 1958-59 Pool Account as at May 20, 1960, and 2,241,272.9 bushels received from others than producers.

Mr. BOULANGER: I see here that the board was required to sell the wheat at the same price it sold wheat under the international wheat agreement. Can you tell us what is the price at which we sold our wheat to China lately?

Mr. McNAMARA: The first sale to China—I do not have the exact figure. We are speaking about the current crop year. The first cash sale to China was made at the regular board selling price. There was an adjustment made about the same time between the Vancouver price and the St. Lawrence price. The wheat sold to China, on the day it was sold, was $1\frac{1}{2}$ cents under the Vancouver price, but we adjusted our Vancouver price at that time to the market level. Our last sale to China was an extension of the first agreement. The only difference was in the payment terms made. It was made at the Board's regular selling price, basis Vancouver or St. Lawrence. There was, of course, a small risk involved because we accepted payment in sterling, and until such time as all the sterling has been disposed of we are not in a position to finally assess the net returns on that wheat. Recent developments in the value of sterling, however, have made our position look very much more comfortable than it was a few days ago.

Mr. RAPP: The fixed initial price for the crop years 1959-60 and 1960-61 was \$1.40 per bushel.

Mr. McNAMARA: For No. 1 Northern.

Mr. RAPP: Yes. Through the savings in respect of the St. Lawrence and through the savings now on the dollar exchange, what would be the opinion of the wheat board should the initial price of wheat be raised to, say, \$1.45 or \$1.50? As I say, I base my reasoning on these two items, namely the St. Lawrence seaway and the dollar exchange. In the papers the statement was made on the front page or on the second page that the price of wheat went up five cents. Would it be in order to raise the initial price?

Mr. McNAMARA: I would point out that this is a decision for the government. The government sets the level of the initial payment price. Once it is determined it becomes the floor price, because once you pay your initial payment price it cannot be recovered. I would suggest that the recent revision in prices due to the exchange should not be taken as too bullish a figure. We were forced to reduce our prices during the period when the Canadian dollar was trading at a premium. I am looking at a table on page 18 where it shows the initial payment prices. Over the years the final realized prices went up until in 1947-48 the initial payment price was \$1.35. In 1948-49 it was \$1.55. During the period of the British contract, from 1950 to 1951 the initial payment was \$1.40 and yet the realized price was \$1.86. At the present time our final price on No. 1 Northern is in the neighbourhood of \$1.60. So a twenty cent margin is not very great between the final realized price and the initial payment price. If the government asked my advice, I would not recommend an increase in the initial payment price.

Mr. RAPP: I wondered what would be the reaction of the Canadian wheat board to having the price increased. I realize fully that this is a matter of government policy in respect of the initial price.

Mr. HORNER (*Acadia*): I have one question arising out of this paragraph:

Under order in council PC1959-788, June 22, 1959, the board was required to sell wheat, other than Durums, for domestic use at the same price as it sold wheat for registration under the international wheat agreement.

What did it sell at before 1959?

Mr. McNAMARA: This comes under the wheat board regulations. The governor in council approves of these regulations each crop year. This has been carried on ever since the international wheat agreement has been in effect.

Mr. MILLIGAN: Did I understand Mr. McNamara to say that in respect of the deal with China that payment for the wheat would be in sterling?

Mr. McNAMARA: Yes.

Mr. MILLIGAN: Or in American funds.

Mr. McNAMARA: In sterling.

Mr. MILLIGAN: All in sterling?

Mr. McNAMARA: Yes.

Mr. HORNER (*Acadia*): The second deal.

Mr. McNAMARA: The first deal too. This was the method of payment. They insisted that they wanted to pay us in sterling. We decided we would accept sterling. We knew there was some risk; but we have been accused of being very inflexible and this was being a little more flexible. We took the risk. At one time the market in sterling weakened and it looked as if we might be confronted with a sizeable loss. Recently, however, sterling has increased, and if we got the sterling from the Chinese now and marketed it at today's price we would have a substantial profit. How it will end up, I do not know.

Mr. BOULANGER: What is the recent increase; it is eight cents?

Mr. McNAMARA: We put it up five cents last Wednesday morning as a result of the budget and the change in the dollar. I would like to make a statement to the committee in connection with the price of wheat. I notice this morning there is an article in a Toronto paper criticizing the board's pricing policy.

Mr. SOUTHAM: Before you do that, I have a question. Are our shipping requirements to China keeping up to schedule?

Mr. McNAMARA: Yes. They have asked us to preship and we are well ahead of schedule.

Mr. FORBES: In the case of shipments of wheat to Brazil, what currency would it be adjusted to?

Mr. McNAMARA: The American dollar or the value of gold as it relates to the international monetary value.

Mr. FORBES: Now I am really mixed up.

Mr. McNAMARA: I am a little mixed up myself in respect of international finance.

I would like to read a statement here and then Mr. Riddel might comment on it.

Mr. FORBES: You say it is adjusted to American currency.

Mr. McNAMARA: Yes. The main point is that if we had not increased our price as a result of the weakening of the dollar, our price in the U.S. market would have been lowered. This article suggested we should be lowering our price. Whoever wrote the article does not realize that the Americans are subsidizing to our price. This could have meant a lowering of prices all over the world. They set their subsidies at 3 o'clock every afternoon after our price comes out. I suggest, insofar as Canada is concerned, with very un-

favourable crop prospects this year, this is not the time for Canada to be considering lowering prices in the world market. I wanted to make this statement because I think there is some misunderstanding in regard to prices.

Memorandum:

Re: Increase in wheat price quotations

The recent action of the Canadian wheat board in increasing its asking prices for all grades of wheat in all positions, following the reduction in the value of the Canadian dollar, has been criticized in some sources as defeating the basic policy of the government to reduce the cost of Canadian goods abroad and thereby improve Canada's competitive position.

- (1) In this connection the following points should be stressed: The increase in wheat prices simply followed the change in value of the Canadian dollar in terms of the United States dollar, as has been the traditional policy of the board.
- (2) The price fluctuations due to exchange have not affected the cost of Canadian wheat in overseas markets. Had the new value of the Canadian dollar not been reflected in our wheat prices, the effect would have been a reduction of approximately 5 cents per bushel in the international price level for Canadian wheat.
- (3) Wheat is an international commodity and prices are highly competitive. Any major reduction in the overseas price of Canadian wheat would undoubtedly have been met by our competitors, either through increased government subsidies as in the United States, or reduced price quotations by countries such as Argentina and Australia. The result would have been a general lowering in the international price level for wheat at a time when prices for this commodity are tending to firm, and when some segments of the trade consider price increases are justified.
- (4) The western producer has had to absorb the loss resulting from lower wheat prices during the past several years when the Canadian dollar has commanded a premium over the American dollar. Consequently he should also have the benefit of higher domestic prices resulting from devaluation of the Canadian dollar.

Mr. HORNER: (Acadia): We heartily agree.

Mr. BOULANGER: It is all right to quote a price on the international market, but in connection with the eastern price, the wheat costs up to 5 cents a bushel more and, in a couple of cases, I think it is 8 cents. Farmers are not anxious to pay this increase in price.

Mr. McNAMARA: That is true.

Mr. BOULANGER: We would be paying more for that than we would be paying for corn. I do not know what will happen in the east.

Mr. McNAMARA: As I said earlier, we are looking forward to discussing with you in some detail this problem of the eastern market. As the dollar was at a premium, the price kept coming down; and the eastern feeder got the benefit. However, the Canadian problem, as far as feeding wheat is concerned is the fact that we have not the supplies of the low-grade wheat—the cheaper, attractive wheat which the eastern feeder was able to produce for so many years. We were sold out of these stocks, and now we can only supply the higher grade wheat.

Mr. BOULANGER: Could I ask you a question?

Mr. McNAMARA: Yes.

Mr. BOULANGER: Why do you not put the higher grade of wheat at the same price as the poorer wheat so we can use the wheat that we have in

surplus in the west, instead of going down to the States and paying \$12 more for corn than we are paying for wheat.

Mr. McNAMARA: Are you suggesting we put the price of the lower grade up to the top price, or do you want us to lower the top price?

Mr. BOULANGER: Lower the price of the higher grade.

Mr. HORNER (*Acadia*): Make sure that that is on the record.

Mr. BOULANGER: I could explain it to you better in French than in English.

Mr. McNAMARA: The thing that you must remember, sir, is that the Canadian wheat board is responsible, under our act as passed by parliament, to market the grain delivered to us by the western producer to the best possible advantage.

Mr. PASCOE: Under this wheat pool account, the final payment announced a while ago is quite high for the low grades. Could you outline why it was so high? Did they put a lower initial price, or did they sell it for a better price than anticipated?

Mr. McNAMARA: The point is that the governor in council sets the initial payment price level for the top grade of No. 1 northern, and then the Canadian wheat board, subject to the approval of the governor in council, sets the discounts for the lower grades—No. 2 northern, No. 3 and No. 5. We usually do that at the beginning, or when we know the pattern of the new crop. In years where we have had low-grade wheat in surplus supply, we have had to widen out the selling discounts to move it. Recently, when the market has been keen for the low-grade grades, we have been successful in narrowing the spread, as the result of which we were able to sell the low-grade wheat at a narrower discount under the No. 1 northern than we thought was possible.

Mr. SOUTHAM: I have a supplementary to that. In the final closing out of the 1959-60 pool, we had an average payment of twelve point something per bushel. Does that indicate a gradual strengthening of the tone of the over-all market?

Mr. McNAMARA: No. You will notice, when we get to our supplementary report, that we give the details of the grade payment price for No. 1 and No. 2 northern, and it is about the same as last year. However, the average is high because of the higher prices we were able to reflect on the low grades.

Mr. MUIR (*Lisgar*): I have a question in connection with that 1959-60 pool. I note, in the makeup, that you show 2,241,000 delivered by others other than producers; who are these other people, other than producers?

Mr. RIDDEL: That total, Mr. Chairman, of 2,314,000 is made up of overages in country and terminal elevators of 2,408,000, less shortages of 250,000 bushels, the sale of government samples of wheat, 13,500 bushels, deliveries to the board under special permits, 3,900 bushels, and gristing, 139,000 bushels. I think that is wheat delivered to small mills in the designated areas which they do not use for gristing into flour, but ship forward to terminal positions and re-deliver the wheat to the Canadian wheat board.

Mr. MUIR (*Lisgar*): Do they need a special permit to do this?

Mr. RIDDEL: Yes.

Mr. McNAMARA: Mr. Chairman, I would like to suggest to the committee, that instead of dealing with the 1959-60 pool account which follows, and the statement, that we pass on to the next page, to: "General comments on the marketing of wheat—1959-60". The reason for my suggesting this is that these figures are at July 31, and when we get to the supplementary report, we will be dealing with the final figure for the top grade, and I think the information there would be much more realistic.

The CHAIRMAN: Is that agreed?

Some Hon. MEMBERS: Agreed.

Mr. EARL:

GENERAL COMMENTS ON THE MARKETING OF WHEAT—1959-60

STOCKS UNDER ADMINISTRATION

The board commenced the crop year with an inventory of 372.7 million bushels of wheat for the account of the 1958-59 pool. From August 1, 1959 to July 31, 1960 producers' deliveries to the 1959-60 pool amounted to 377.4 million bushels. During the crop year the board therefore had under administration 750.1 million bushels of wheat for the account of the 1958-59 and 1959-60 pools. The two pools were administered concurrently until May 20, 1960, when the 1958-59 account was closed and remaining stocks in that pool transferred to the 1959-60 account. From August 1, 1959 to May 20, 1960 sales were applied to the 1958-59 pool account to the extent that this pool could supply the grades required to meet sales contracts. From May 20, 1960 to July 31, 1960 all sales were applied to the 1959-60 pool account.

THE INTERNATIONAL WHEAT MARKET—1959-60

World trade in wheat, estimated at about 1,300 million bushels, was at a relatively high level in 1959-60, and only slightly smaller than in the record season of 1956-57. Important changes occurred in the direction of international trade in wheat. There was a decline in the movement of wheat to Western Europe and an increase in the movement to Asia.

Exports to Western Europe declined by about 65 million bushels. This area required less imported wheat because of the record production in 1959 and the almost ideal conditions which prevailed during the harvesting season. As a result, importing countries in Western Europe not only produced more wheat than ever before, but quality was above average. The decline in import requirements was particularly noticeable in the United Kingdom and the Federal Republic of Germany. France, Italy and Spain were exporters, principally to European destinations.

In contrast, there was an increase in wheat requirements of Asiatic countries. Increased requirements in this area were largely absorbed by concessional sales on the part of the United States and by increased commercial exports by Australia and to a lesser extent by Canada. Among Asiatic countries enlarging their imports in 1959-60 were Japan, Pakistan, Iran and Iraq.

Since the enactment of Public Law 480 in 1954, disposal and assistance programmes have become of increasing importance and now constitute a significant segment of world trade in wheat. In the non-commercial distribution of wheat the United States has played a leading part because of the extent of the American wheat surplus and the financial resources which the United States is able to employ in the distribution of such surpluses. Canada participates in this form of trade to a lesser degree through assistance programmes for Colombo plan countries and relief shipments to meet urgent needs. United States exports in this category in 1959-60 were 373 million bushels, and Canadian participation was in the amount of 8.6 million bushels. These quantities of wheat, distributed outside normal commercial procedures, accounted for close to 30 per cent of world trade in wheat in the past crop year. In this category may also be included 147 million bushels of wheat provided by the U.S.S.R. to other Communist countries. After allowing for the foregoing non-commercial shipments, it is apparent

therefore that the international commercial market for wheat in 1959-60 amounted to about 750 million bushels. It is in this latter market that the bulk of Canadian wheat exports must be sold.

The division of the world wheat market into commercial and non-commercial segments is now recognized. Commercial and non-commercial trade in wheat are recorded separately by the international wheat council. The United States wheat export statistics show separate tabulations for exports on a commercial basis and for exports under disposal programmes.

The following table shows Canadian wheat and flour shipments under government programmes and sales under the provisions of the Export Credits Insurance Act from 1954-55 to 1959-60:

Crop Year	Canadian wheat and flour shipments under Government programmes ¹	Sales under Provisions of Exports Credits Insurance Act
	(thousand bushels)	
1954-55.....	201	3,620
1955-56.....	265	26,160
1956-57.....	1,416	9,523
1957-58.....	31,070	2,908
1958-59.....	18,248	5,408
1959-60.....	8,596	4,872

¹ Including long term loans.

The following table shows Canadian government programmes, by country, for 1959-60:

Country	Thousand bushels
Burma.....	228
Ceylon.....	630
Chile.....	507
India.....	4,116
Indonesia.....	316
Pakistan.....	2,157
U.N.R.W.A.*.....	489
Vietnam.....	153
TOTAL.....	8,596

* United Nations Relief Works Agency.

United States shipments under various government programmes are shown on page 19 of this report.

In the commercial segment of the international wheat market competition was exceedingly keen in 1959-60. Surpluses in Canada, the United States, Australia, Argentina, the U.S.S.R. and exporting countries within Western Europe were offered on a competitive basis to importing countries. Commercial exports from Canada amounted to 269 million bushels as compared with 134 million bushels sold commercially by the United States, and exports of 122 million bushels by Australia and 77 million bushels by Argentina.

The CHAIRMAN: Are there any questions up to this point?

Mr. EARL:

SALES POLICY

The sales efforts of the board were directed primarily toward merchandising high-quality milling wheat which comprised the grades of No. 2 northern and No. 3 northern, along with lesser quantities of No.

4 northern. One of the factors relating to quality in milling wheat is the protein content. The research laboratory, board of grain commissioners for Canada, reported as follows:

"The mean protein content of the 1959 crop of hard red spring wheat is 14.2%; this level is 0.4% higher than obtained in last year's survey and is 0.7% higher than the long-term average of 13.5%. The 1959 protein level has been exceeded only twice, in 1941 and 1936, when the protein levels were 15.1% and 14.9% respectively."

In addition to high-quality milling wheat, the board had Durum grades of wheat and limited quantities of No. 5 wheat and No. 6 wheat. These latter grades formed a useful part of the 1959-60 inventory.

As in previous crop years, the board placed great stress upon realistic pricing and the importance of maintaining a steady flow of Canadian wheat in export trade. Provisions for the separate pricing of wheat, basis in store Pacific coast ports, Churchill and St. Lawrence ports, were continued, as well as provision for deferred pricing at the option of the buyer. The board continued to maintain close contacts with all wheat importing markets with the objective of furthering Canadian competition at all times.

The more important elements in board sales policy are discussed in the following paragraphs.

The CHAIRMAN: Are there any questions in connection with sales policy? If not, would you proceed.

Mr. EARL:

PRICING

The board continued its deferred pricing policy. In 1959-60 the buyer had the right to declare the final price up to 8 market days after the date of call on shipment from St. Lawrence or Atlantic ports, and from 15 to 22 market days from date of loading from Pacific coast ports, depending on the destination of the shipment. A similar policy was applied to Churchill, the buyer having the right to declare the final price up to 9 market days after the date of call. Prior to the opening of the Seaway in 1959 the board provided for deferred pricing on direct overseas shipments from the Lakehead following the opening of navigation. Under this arrangement the buyer had the right to declare the final price up to 14 days after date of call on such shipments from the Lakehead. Lesser periods were provided for direct shipments originating at intermediate ports between the Lakehead and the St. Lawrence. If the deferred price basis were selected by the buyer, provision was made for an accounting price to be established at the time of call, but this price would be adjusted finally within the time limits provided for each shipping range.

During the crop year the Board also continued to quote separate asking prices for wheat (a) in store Pacific Coast ports, (b) in store Fort William/Port Arthur, and (c) in store Churchill. The Board also quoted asking prices for wheat c.i.f. St. Lawrence ports, c.i.f. Atlantic Maritime ports and, as required, in store at intermediate Seaway ports. The objective of regional pricing was to maintain the competitive position of export wheat irrespective of the port of shipment.

The export flour adjustment policy was also continued in 1959-60.

In mid-August, 1959, export flour adjustment rates were reduced by one cent per bushel. For the balance of the crop year the rates were as follows:*

To the United Kingdom and European countries via all shipping routes 4½ cents per bushel

To all other countries (excluding the United States, its territories and possessions) via:

(1) Canadian Atlantic or U.S.A.

Atlantic ports 15½ cents per bushel

(2) St. Lawrence ports, Churchill,
or Canadian Pacific or U.S.A.

Pacific ports 14½ cents per bushel

*The above export flour adjustment rates were subject to mill area reductions as follows:

Montreal area—a reduction of 2c to 3c per bushel.

Toronto area—a reduction of 1c to 1½c per bushel.

Port Colborne—Humberstone area—a reduction of 1c to 1½c per bushel.

Bay Port area—a reduction of ½c to 1c per bushel.

Western Mills—no reduction.

The cost of the export flour adjustment policy to Pool Accounts operated in 1959-60 was \$3,776,380.39.

Through its pricing policies the Board endeavoured to maintain a strong competitive position in all markets. During the crop year 1959-60 average Board asking prices for No. 1 Northern Wheat were slightly lower than in 1958-59, the decrease being ⅔ cents per bushel basis in store the Lakehead and 3 cents per bushel basis in store Vancouver.

The following table shows monthly average Board asking prices for No. 1 Northern Wheat in store Fort William/Port Arthur, in store Vancouver, and in store Churchill:

Mr. MUIR (*Lisgar*): I would like to know the reason for the deferred price after the boat is loaded. Why do you allow this lapse of time?

Mr. McNAMARA: This is done according to a policy inaugurated by the board a number of years ago which is considered very beneficial to us in competitive selling with other countries in the export market. Under this provision a British miller, as buyer, is enabled to take wheat from Canada and carry it on the hedge until the grain practically arrives at his mill, and then he has to price it. He has the right to price it at any time during this period, and we keep our prices fluctuating from day to day. But it does provide him with a hedge that is very much appreciated, and it has been a policy that the Americans have found very difficult to cope with or to compete with; it has been a real sales advantage to us, and I think over a period of time we benefit greatly by it.

Mr. BOULANGER: This is the present policy for the export market?

Mr. McNAMARA: Under instructions we receive from the government we sell at the same level for the domestic market sales as we do for the export market. Our domestic prices are the export prices as quoted on the basis of Port Arthur-Fort William.

Mr. BOULANGER: What you are saying here is that you price your grain on the domestic market the same in the east as in the west.

Mr. McNAMARA: The Fort William price, yes. That is right. But we will be dealing with that later on.

Mr. BOULANGER: yes, I am very anxious.

MR. EARL:

Monthly Average of Board Asking Prices
I.W.A. and Class II Quotations
Basis No. 1 Northern Wheat

	In Store Fort William/ Port Arthur	In Store Vancouver	In Store Churchill
	(cents per bushel)		
August, 1959.....	165 $\frac{3}{8}$	174 $\frac{1}{8}$	173 $\frac{1}{8}$
September.....	164 $\frac{3}{8}$	173 $\frac{1}{8}$	172 $\frac{1}{8}$
October.....	164 $\frac{1}{8}$	172 $\frac{1}{2}$	171 $\frac{1}{2}$
November.....	164 $\frac{3}{8}$	172 $\frac{1}{4}$	173 $\frac{3}{4}$
December.....	165 $\frac{3}{8}$	171 $\frac{1}{4}$	173 $\frac{3}{8}$
January, 1960.....	166	171 $\frac{1}{2}$	174 $\frac{1}{2}$
February.....	165 $\frac{3}{8}$	170 $\frac{3}{8}$	174
March.....	164 $\frac{3}{8}$	169 $\frac{3}{8}$	171 $\frac{7}{8}$
April.....	166 $\frac{3}{8}$	171 $\frac{1}{2}$	173 $\frac{7}{8}$
May.....	167 $\frac{1}{4}$	174 $\frac{1}{4}$	176
June.....	168 $\frac{1}{2}$	175	176 $\frac{3}{4}$
July.....	166 $\frac{3}{8}$	174 $\frac{1}{4}$	175 $\frac{3}{8}$

¹ October 1st to 15th.² November 13th to 30th.

As shown in the above table Board asking prices for No. 1 Northern Wheat basis in store Fort William/Port Arthur fluctuated within narrow limits during the crop year 1959-60. Monthly average asking prices ranged from a low of \$1.64 $\frac{1}{8}$ per bushel in October, 1959 to a high of \$1.68 $\frac{1}{2}$ per bushel for the month of June. In the main, fluctuations in Board asking prices for No. 1 Northern Wheat in store Fort William/Port Arthur fluctuated inversely with the value of the Canadian dollar on exchange markets. The strength of the Canadian dollar was reflected in Board asking prices for wheat from August through March, the decline in the exchange value of the Canadian dollar during the April-June period and the strengthening of the Canadian dollar in the final month of the crop year.

Board asking prices for No. 1 Northern Wheat in store Vancouver reflected not only the exchange value of the Canadian dollar, but changes in forwarding costs of wheat from Pacific Coast ports to overseas destinations as compared with forwarding costs from Atlantic Maritime ports and St. Lawrence ports. Monthly average prices for No. 1 Northern Wheat basis in store Vancouver declined from \$1.74 $\frac{1}{8}$ per bushel in August, 1959 to \$1.69 $\frac{3}{8}$ per bushel for the month of March, 1960. During the final four months of the crop year Board monthly average asking prices for No. 1 Northern Wheat in store Vancouver ranged from \$1.71 $\frac{1}{2}$ to \$1.75 per bushel.

In the case of asking prices for wheat in store Churchill, monthly average prices declined moderately during the shipping season of 1959, strengthened during the November-February period, declined for the month of March and strengthened again in the latter part of the crop year.

During 1959-60 adjustments were made in selling discounts for No. 2, No. 3, No. 4 Northern Wheat, No. 5, No. 6 Wheat and Feed Wheat. Adjustment in grade spreads as between No. 2 and No. 3 Northern reflected the desire of the Board to increase sales of No. 2 Northern as this grade predominated in Board inventories, especially during the latter half of the crop year. In May, 1960 the Board selling discount for No. 2 Northern was increased from 3 to 5 cents per bushel. Selling discounts for No. 3 Northern were narrowed during the crop year in relation to selling discounts for No. 2 Northern. The narrowing of selling

discounts for No. 4 Northern Wheat, No. 5 and No. 6 Wheat, reflected the decreasing quantities of wheat of these grades which could be offered by the Board.

The following table shows quoted discounts under No. 1 Northern for principal grades of wheat on August 1, 1959, February 1, 1960 and July 31, 1960 (basis in store for William/Part Arthur):

	No. 2 Northern	No. 3 Northern	No. 4 Northern	No. 5 Wheat	No. 6 Wheat
	(cents per bushel)				
August 1, 1959.....	-3	-13	-23	-26	-27
February 1, 1960.....	-3	-10	-15	-18	-20
July 31, 1960.....	-5	-9	-14	-19	-21

The CHAIRMAN: Are there any questions, gentlemen?

Mr. KORCHINSKI: With reference to the price asked at Churchill in comparison with the price asked at Fort William, does the exchange rate make any difference in the policy, or any difference in the prices?

Mr. McNAMARA: No.

Mr. KORCHINSKI: I note that during the shipping season 1959, the average price strengthened during November to February and declined for the month of March. How could that be?

Mr. McNAMARA: This is related to the fluctuation of the dollar.

Mr. SOUTHAM: May I refer back to the general comments on marketing of wheat? I noticed that on page eight the United States exports in the category of relief shipments in 1959-60 were 373 million bushels. Would Mr. McNamara comment on the effect of that on the overall exports?

Mr. McNAMARA: It was a substantial part of their exports. I think later we show that in commercial area the United States only sold 134 million bushels. They sold it in competition with us in the commercial market, whereas the 373 million bushels—for lack of a better expression—I term as “give-away” wheat.

Mr. SOUTHAM: If they had not invaded the markets then there would otherwise not be that difference?

Mr. McNAMARA: No. I think in fairness to the Americans I should say that we are working very closely with them. We do have some points of disagreement, but generally they are trying to direct their disposal program into the non-commercial field. Their heavy exports this year will be concentrated in areas of that kind.

Mr. HORNER (*Acadia*): That is the 373 million bushels, and the Canadian counterpart is the 8.6 million, which is given by way of direct gift, in a sense?

Mr. McNAMARA: That is right.

Mr. HORNER (*Acadia*): Do the Americans not receive something in return for this 373 million bushels?

Mr. McNAMARA: Yes, with some of their programs they get local currency, but this local currency must be utilized in the country of distribution for various projects.

Mr. HORNER (*Acadia*): For defence, or something like that?

Mr. McNAMARA: Yes.

Mr. HORNER (*Acadia*): So actually, to compare the two does not really make a true comparison in a sense?

Mr. McNAMARA: No. Under our Colombo plan the 8 million is more or less free, although I think there are counterpart funds made available to Canada under the Colombo plan for various projects. But there is very little similarity to the American proposals which are straight give-aways; most of this comes under title four, where they receive local currency.

Mr. HORNER (*Acadia*): I was wondering, because it figured out that each Canadian was giving only one half a bushel, roughly, whereas each American would be giving away two bushels apiece. Are they more generous than we, or is that a proper way to compare it? I thought that perhaps they were getting back more.

Mr. McNAMARA: I do not think it is because of generosity. We have our various programs of commercial selling, and of assistance, for which we receive from the government credit facilities, and thus we are rapidly reducing our surplus position. In fact, I am quite concerned with the present development of the new crop, because I think that in certain grades we may be embarrassed by lacking supplies in the coming year. But as I indicated earlier, the Americans are not making any progress in it, as may be seen from the fact that their carry-over at the end of the crop year will be the largest in history. I do not think it is because of their being any more generous. They simply cope with the problem in a different way, and they have not met with the success that Canada has had in reducing our surplus.

Mr. HORNER (*Acadia*): I just wondered.

The CHAIRMAN: If there are no further questions, let us pass on to "durums".

Mr. EARL:

DURUMS

The following table shows monthly average Board asking prices for No. 1 C.W. Amber Durum Wheat basis in store Fort William/Port Arthur:

No. 1 C.W. Amber Durum
Monthly Average Asking Prices
Fort William/Port Arthur

	High	Low	Average
	(cents per bushel)		
August, 1959.....	182 $\frac{1}{2}$	180 $\frac{5}{8}$	181 $\frac{3}{8}$
September.....	181 $\frac{1}{2}$	175	180 $\frac{1}{2}$
October.....	175 $\frac{3}{8}$	174 $\frac{3}{4}$	175 $\frac{1}{2}$
November.....	176 $\frac{5}{8}$	174 $\frac{7}{8}$	175 $\frac{5}{8}$
December.....	178	175 $\frac{5}{8}$	176 $\frac{5}{8}$
January, 1960.....	178 $\frac{3}{8}$	177 $\frac{1}{2}$	178
February.....	177 $\frac{5}{8}$	177 $\frac{1}{2}$	177 $\frac{3}{4}$
March.....	177 $\frac{1}{2}$	175 $\frac{5}{8}$	176 $\frac{1}{2}$
April.....	178 $\frac{5}{8}$	176 $\frac{1}{2}$	177 $\frac{7}{8}$
May.....	180 $\frac{1}{2}$	178 $\frac{3}{8}$	179 $\frac{3}{4}$
June.....	180 $\frac{1}{2}$	179	179 $\frac{1}{2}$
July.....	179 $\frac{5}{8}$	176 $\frac{1}{2}$	178 $\frac{5}{8}$

Asking prices for Durum grades of wheat declined during 1959-60. In late September Board asking prices for No. 1 and No. 2 C.W. Amber Durum Wheat declined by 5 cents per bushel, and No. 3 C.W. Amber Durum and Extra No. 4 C.W. Amber Durum declined by 3 cents per bushel. During the balance of the crop year Board asking prices for Durum grades of wheat increased slightly. The general effect of Board pricing of Durum grades of wheat was to narrow the spread between top grades of Durum as compared with No. 3 C.W. Amber Durum and Extra No. 4 C.W. Amber Durum.

The CHAIRMAN: Are there any questions?
If not, let us pass on to "tough and damp grain".

Mr. EARL:

TOUGH AND DAMP GRAIN

As a result of the unfavourable 1959 harvest the Board received from producers a total of 79.1 million bushels of tough and damp wheat, oats and barley. Of this quantity of grain, 49.5 million bushels were tough and 29.6 million bushels were damp.

During the winter months, and extending until late in the crop year, extensive drying operations were carried out at Pacific Coast ports, at the Lakehead and at interior terminal elevators. To the end of the crop year, 51.9 million bushels were artificially dried. Of this quantity, 21.3 million bushels were dried at the Pacific Coast, 27.4 million bushels at the Lakehead and 3.2 million bushels in interior terminals.

Commencing in early November, it was necessary to move substantial quantities of high moisture content grain to Pacific Coast ports. While this movement was taking place and extensive drying operations were underway in Pacific Coast terminal elevators, delays occurred in loading ocean vessels and substantial demurrage charges were incurred during the January-March period. Throughout this difficult period exports from Pacific Coast ports remained at a high level.

January was a most difficult month, but actual export clearances amounted to 14 million bushels as compared with 17 million bushels in January of the previous year. In February, loadings were 16 million bushels as compared with 17 million bushels in the previous year. In March, loadings were 16 million bushels as compared with 15 million bushels in the previous year.

The CHAIRMAN: Are there any questions?

Mr. HORNER (*Acadia*): What do you call a substantial demurrage charge?

Mr. McNAMARA: We have a figure here, and I think it is in the neighbourhood of $\frac{1}{2}$ million.

Mr. HORNER (*Acadia*): Is this demurrage for boats or for box cars?

Mr. McNAMARA: It is for boats waiting for cargo.

Mr. HORNER (*Acadia*): Is there a line-up to get into the docks, or why would they put a charge on boats particularly?

Mr. McNAMARA: When a boat is chartered, a certain number of days are specified in which it has to be loaded, and failing that demurrage is assessed. These boats "presented", and were ready to load, but we were not in a position to load them. Therefore we were responsible for the demurrage until we were ready to load. The demurrage will vary of course with the size of the vessel and it may run from \$1,000 to \$1,500 per day.

Mr. HORNER (*Acadia*): The wheat board had to pay the demurrage because they were not in a position to load the boats?

Mr. McNAMARA: That is right. We will get that for you.

Mr. HORNER (*Acadia*): You say about half a million?

Mr. McNAMARA: Yes.

Mr. HORNER (*Acadia*): This is close enough.

Mr. McNAMARA: It is \$431,853.

Mr. KORCHINSKI: Who determines the amount of the demurrage charge per boat?

Mr. McNAMARA: The vessel owner and the exporter who charters the particular boat. If we sell it f.o.b., the boat is chartered by the buyer; but if it is c.i.f., it is chartered by our exporter.

Mr. HORNER (*Acadia*): This is mainly because of the drying operations.

Mr. MCNAMARA: Yes. We could not get the grain in condition to meet shipments.

The CHAIRMAN: We will now go to the St. Lawrence seaway.

Mr. EARL:

THE ST. LAWRENCE SEAWAY

The Annual Report of the Canadian Wheat Board for the crop year 1958-59 outlined the objectives of the Board in its use of the St. Lawrence Seaway and the policies which came into effect in advance of the opening of the Seaway in the spring of 1959.

This was accomplished by the Board increasing its Lakehead selling prices by the amount of the saving which it felt would accrue in the all-water movement of wheat to St. Lawrence ports as compared with the fixed differential which had been in effect prior to the close of navigation in 1958. Throughout the crop year 1959-60 the Board was successful in retaining for western producers the saving which was envisaged prior to the opening of the Seaway.

It was pointed out in the Annual Report of the Board for 1958-59 that the ultimate saving in costs will depend in part upon the volume of grain which moved exclusively by the all-water route through the Seaway and the volume of grain which is moved to Georgian Bay ports and thence by rail to St. Lawrence or Maritime Atlantic ports.

For the period from August 1, 1959 to July 31, 1960, export wheat moved from Fort William/Port Arthur to St. Lawrence ports as follows:

<u>All-water Via</u>		
<u>All-water Direct</u>	<u>Transfer Elevators</u>	<u>Lake and Rail</u>
	(million bushels)	
28.3	30.8	15.7

In the case of grain for export through Maritime Atlantic ports the movement was as follows:

<u>All-water Direct</u>	<u>Lake and Rail</u>
	(million bushels)
1.4	16.1

In the movement of export wheat from the Lakehead to St. Lawrence ports within the crop year 1959-60, 79 per cent of the movement was via all-water route, either direct to St. Lawrence ports or via transfer elevators. The balance of the movement was by lake and rail and constituted 21 per cent of the total movement.

In the case of the movement from the Lakehead to Maritime Atlantic ports, the main part of the movement must be by lake and rail because of the limited storage capacity available at Maritime Atlantic ports and the closing of the Seaway prior to the winter movement from Maritime Atlantic ports.

It should be pointed out that the foregoing statistics refer only to export wheat moved from the Lakehead between August 1, 1959 and July 31, 1960, and do not take into account Lakehead shipments prior to August 1, 1959 which reached eastern destinations within the crop year.

During the crop year, 7.3 million bushels of export wheat were cleared from Fort William/Port Arthur for direct shipment to overseas countries.

Mr. RAPP: In respect of the export of wheat and wheat flour, there are some very interesting statistics. For instance, France actually increased her purchases from Canada. They purchased more in 1959-60. I thought France was an exporting country.

Mr. McNAMARA: Most of these increased purchases were in Durum wheat.

Mr. RAPP: Then there is the Union of South Africa; how are the sales progressing this year?

Mr. McNAMARA: Very disappointing. South Africa has not bought any Canadian wheat for shipment.

Mr. RAPP: And we have practically lost all the sales to some of these Asian countries. Would the reason be that the United States is interfering by reason of their give-away programs?

Mr. McNAMARA: Are you referring, for example, to India?

Mr. RAPP: To Asia—India, Pakistan, Indo-China, Arabia. This is on page 14.

Mr. McNAMARA: Most of these sales to India and these other countries have been under the special aid programs, either Canadian sales under the Colombo plan or United States sales under their special programs. Neither India nor Pakistan have been buying any large quantities of grain on a commercial basis. When you refer to Asia I hope you are not overlooking the substantial increase this year.

Mr. RAPP: But these give-away programs have made quite an inroad into our commercial markets in Asia.

Mr. McNAMARA: It would be difficult to say whether India is a commercial market and whether she has the financial resources to pay for wheat. I would say that if the United States, and to a limited degree Canada, were not in a position to make wheat available to India under these special programs it would seriously retard the economic condition of that country. It is a great question whether she has the balance of payment necessary to pay for the food she is importing at the present time. So to say that the Americans have reduced our marketing potential in that area is difficult to argue, because it is difficult to say how much of the resources of India could be directed towards importing wheat from Canada.

Mr. MUIR (*Lisgar*): Would it not also be a fact that the countries who receive wheat under these various plans will eventually get to like the wheat more?

Mr. McNAMARA: We are hoping this will be the case. Certainly it has been the case so far as Japan is concerned. In the prewar period they were practically solely rice eating people and now wheat is an important part of their diet. We are hoping that with the programs in respect of the Asian and African countries we will build up more potential commercial markets for wheat.

Mr. MUIR (*Lisgar*): I suppose these questions really should come in later.

The CHAIRMAN: Yes. I was about to suggest that.

Mr. MUIR (*Lisgar*): Do you find that your overseas exports are increasing since the seaway was opened?

Mr. McNAMARA: You mean the movement out of the lakehead?

Mr. MUIR (*Lisgar*): Yes.

Mr. McNAMARA: Yes. There is a marked increase this crop year over the one we are dealing with now. Our water movement is almost doubled. From the opening of navigation this year we have moved direct from Fort William 5,954,000 bushels as compared to 8,000,700 for the whole of the previous year. There is going to be a substantial increase in the movement of all grains from Fort William to overseas markets.

Mr. SOUTHAM: And there is the fact that the seaway facilitates the handling in that you do not have to load into smaller boats and then into larger boats. This might cut down the demurrage charges and the cost of handling.

Mr. McNAMARA: Yes. We are getting the benefit of the all water route. It is pointed out in the preceding paragraph, however, that the movement by lake and rail is more expensive, and that movement through the Atlantic ports during the winter has to be serviced by the railways. These charges are being absorbed. We are quite concerned by the application of the railways to increase the rail rates to the maritime ports. As I pointed out to the royal commission on transportation some time ago, these increased charges will pretty well price our maritime ports out of the export market. If these increases are allowed by the government, it is going to force the board to seriously consider using some of the United States outlets for the winter movement rather than our own maritime ports.

Mr. SOUTHAM: I think this is a point that should be very much emphasized, because it will result in a higher net to the farmer and, after all, that is what the farmer is after, in the long run.

Mr. EARL:

INTERNATIONAL WHEAT AGREEMENT

The crop year 1959-60 coincided with the first year of the international wheat agreement which became effective on August 1, 1959. As at the date of this report, 43 countries were participating in the agreement, 34 importing countries and 9 exporting countries. The territories of the United Kingdom, The Netherlands and Portugal, to the number of 47, also participated in the agreement. The following table shows registrations of commercial sales of wheat and flour recorded by the international wheat council in 1959-60:*

<i>Exporting Countries</i>	<i>Quantities (bushels)</i>
Argentina	67,177,796
Australia	79,071,465
Canada	233,930,303
France	33,045,303
Italy	9,385,479
Mexico	—
Spain	516,286
Sweden	1,930,052
United States	130,670,458
TOTAL	555,727,142

*Subject to revision.

It will be noted that a total of 555.7 million bushels of commercial wheat sales were registered by the Council during the crop year under review. Registration of commercial exports of Canadian wheat amounted to 233.9 million bushels.

SALES—1959-60

During the crop year 1959-60 board sales of wheat were as follows:

	Total Sales (bushels)
Domestic	78,629,167.8
Export sales at Class II prices	18,101,639.0
Export sales under the terms of the International Wheat Agreement	253,204,593.1
Weight losses in transit and in drying	1,941,891.6
TOTAL	<u>351,877,291.5</u>

As shown by the above table board sales of wheat amounted to 351,877,291.5 bushels, of which 224,578,162.9 bushels were applied to the 1958-59 pool account and 127,299,128.6 bushels were applied to the 1959-60 pool account.

Mr. MUIR (*Lisgar*): When was the 1958-59 pool account closed?

Mr. EARL: May 20, 1960.

EXPORTS

The following table shows exports of wheat (including flour), by months, for the crop year 1959-60:**

August, 1959	24.4	149.8
September	25.6	
October	26.2	
November	32.8	
December	24.3	
January, 1960	16.5	149.8
February	20.1	
March	20.6	
April	19.7	
May	25.1	
June	24.4	
July	17.6	127.5
TOTAL		<u>277.3</u>

**Source: Board of Grain Commissioners for Canada. Includes exports of Ontario Winter Wheat. Exports of bagged seed wheat are included.

Wheat exports (including flour) amounted to 277.3 million bushels as compared with 294.3 million bushels in the previous crop year. The export movement was at a relatively high level during the first half of the crop year when exports amounted to 149.8 million bushels. In the second half of the crop year exports were well maintained in the February-April period but declined in the May-July period as compared with the previous crop year. Exports during the last half of 1959-60 amounted to 127.5 million bushels.

EXPORTS OF WHEAT AND WHEAT FLOUR*

CROP YEARS 1959-60 AND 1958-59

Continental areas and countries

	Crop Year 1959-60			Crop Year 1958-59 Total
	Wheat	Flour (Wheat Equivalent)	Total	
	(bushels)			
EUROPE:				
United Kingdom.....	79,950,544	13,627,732	93,578,276	100,887,406
Germany.....	24,873,995	644	24,874,639	34,983,696
Belgium.....	10,710,329	160,296	10,870,625	10,886,677
Netherlands.....	7,831,219	2,772	7,833,991	7,858,997
Switzerland.....	7,801,111	—	7,801,111	6,276,779
France.....	5,469,849	—	5,469,849	1,352,435
Poland.....	4,871,813	—	4,871,813	5,408,331
Norway.....	3,714,330	—	3,714,330	3,574,728
Austria.....	3,457,149	—	3,457,149	2,974,833
Italy.....	2,153,274	—	2,153,274	1,104,058
Ireland.....	1,304,988	—	1,304,988	4,120,833
Malta.....	1,290,800	—	1,290,800	900,146
Finland.....	1,282,638	—	1,282,638	173,612
Greece.....	385,827	6,383	392,210	4,719
Denmark.....	136,081	4,766	140,847	435,346
Portugal.....	—	58,013	58,013	56,654
Sweden.....	39,200	759	39,959	31,891
Gibraltar.....	—	33,746	33,746	44,565
Iceland.....	—	11,118	11,118	14,819
U.S.S.R.....	—	—	—	7,308,187
TOTAL.....	155,273,147	13,906,229	169,179,376	188,398,712
AFRICA:				
Union of South Africa..	6,722,464	—	6,722,464	7,631,138
Algeria.....	2,254,690	—	2,254,690	—
Ghana.....	—	1,736,286	1,736,286	1,385,253
Belgian Congo.....	—	579,761	579,761	637,482
Nigeria.....	—	529,902	529,902	203,244
Sierra Leone.....	—	320,167	320,167	292,535
Portuguese East Africa	260,586	3,199	263,785	239,305
Portuguese West Africa	—	117,693	117,693	85,340
Rhodesia and Nyasa- land.....	29,867	28,943	58,810	152,364
Liberia.....	—	24,178	24,178	19,177
Gambia.....	—	16,367	16,367	16,118
Azores and Madeira...	—	14,651	14,651	30,337
Egypt.....	—	2,376	2,376	148,069
Other Countries.....	—	4,003	4,003	4,400
TOTAL.....	9,267,607	3,377,526	12,645,133	10,844,762
ASIA AND OCEANIA:				
Japan.....	45,669,912	1,153,512	46,823,424	42,127,102
Philippines.....	1,475,242	4,746,622	6,221,864	4,201,326
India.....	4,772,569	—	4,772,569	11,383,006
Iraq.....	2,468,162	—	2,468,162	—
Pakistan.....	2,157,173	18,418	2,175,591	3,824,584
Israel.....	1,540,000	68,561	1,608,561	1,560,534
Hong Kong.....	251,626	701,323	952,949	741,292
Lebanon.....	386,690	411,235	797,925	934,099
Ceylon.....	—	641,456	641,456	2,239,926
Malaya and Singapore.	—	578,535	578,535	459,057
Okinawa.....	527,520	—	527,520	478,426
Cyprus.....	375,743	—	375,743	—
Thailand.....	—	361,852	361,852	335,892
Indonesia.....	—	316,305	316,305	—
Burma.....	228,470	—	228,470	40,070
Portuguese Asia.....	—	221,753	221,753	221,092
Indo China.....	—	152,706	152,706	—
Kuwait.....	—	23,377	23,377	—
Arabia.....	—	19,162	19,162	54,804
Fiji.....	—	13,731	13,731	16,882
Aden.....	—	10,327	10,327	—
Guam.....	—	9,775	9,775	1,208
China.....	—	—	—	463,867
Other Countries.....	—	8,982	8,982	50,486
TOTAL.....	59,853,107	9,457,632	69,310,739	69,133,653

Crop Year 1959-60				
	Wheat	Flour (Wheat Equivalent)	Total	Crop Year 1958-59 Total
(bushels)				
SOUTH AMERICA:				
Venezuela.....	3,519,089	6,831	3,525,920	3,549,226
Peru.....	2,267,067	5,405	2,272,472	1,966,415
Ecuador.....	1,364,168	—	1,364,168	1,123,042
Colombia.....	793,508	3,684	797,192	266,524
Chile.....	—	521,504	521,504	34,730
British Guiana.....	—	320,183	320,183	198,470
Surinam.....	—	76,873	76,873	95,393
Brazil.....	—	1,380	1,380	—
Bolivia.....	—	230	230	—
TOTAL.....	7,943,832	936,090	8,879,922	7,233,800
CENTRAL AMERICA AND THE CARIBBEAN AREA:				
Trinidad and Tobago..	—	1,889,970	1,889,970	1,628,415
Jamaica.....	—	1,698,456	1,698,456	1,647,623
Leeward and Wind- ward Islands.....	—	1,075,774	1,075,774	1,035,389
Costa Rica.....	—	736,655	736,655	527,568
Dominican Republic...	194,767	244,775	439,542	669,350
El Salvador.....	69,807	345,216	415,023	411,869
Nicaragua.....	—	344,386	344,386	315,242
Panama.....	—	311,075	311,075	302,416
Bahamas.....	—	273,879	273,879	262,734
Barbados.....	—	246,438	246,438	313,996
Cuba.....	2,000	168,972	170,972	379,210
Netherlands Antilles...	—	115,812	115,812	158,029
Bermuda.....	—	112,509	112,509	112,422
Guatemala.....	20,000	86,209	106,209	342,178
Honduras.....	5,000	64,639	69,639	87,580
St. Pierre Miquelon...	—	16,553	16,553	—
British Honduras.....	—	13,091	13,091	19,743
French West Indies....	—	7,245	7,245	—
Haiti.....	—	1,656	1,656	48,047
Other Countries.....	—	—	—	8,579
TOTAL.....	291,574	7,753,310	8,044,884	8,270,390
NORTH AMERICA:				
United States				
Milling in Bond....	229,000	—	229,000	1,408,216
Domestic Use.....	1,858,750	—	1,858,750	1,953,931
Flour.....	—	1,539,167	1,539,167	1,649,509
Other Countries.....	—	—	—	20,684
TOTAL.....	2,087,750	1,539,167	3,626,917	5,032,340
Lost at sea.....	—	—	—	366,200
Bagged seed wheat.....	5,568,364	—	5,568,364	5,032,340
GRAND TOTAL.....	240,285,381	36,969,954	277,255,335	294,312,197

* Source: Board of Grain Commissioners for Canada. Includes Exports of Ontario Winter Wheat.

The CHAIRMAN: Are there any questions?

Mr. MUIR (*Lisgar*): How do they compare with exports for this crop year?

Mr. McNAMARA: We are substantially ahead. Already, we are in excess of 300 million bushels. I would hesitate to put a final figure, because a lot will develop in connection with boats during the next five weeks. I notice that it was estimated by one of my colleagues, Mr. McConnell, the other day as being around 340 million bushels. However, I think it will be higher than that.

Mr. SOUTHAM: Could you give us an idea what we would anticipate in so far as export sales of Durum to Italy this year are concerned?

Mr. McNAMARA: It is difficult to say; however, I think, with the exceptionally heavy demand for Durum that has prevailed during this crop year, that it will continue for at least a portion of the next year. There are practically no supplies of Durum wheat available in the world today, and the importing countries are bidding for Durum and looking for subsidies for Durum, and I am hoping we will have good, keen demand for Durum continuing into the next crop year. I was a little disappointed at the Durum acreage. At one time we forecast an increase of about 70 per cent; however, on account of the drought, I do not think that the volume of the Durum will be so high. With the present condition of the Durum crop I would say that I do not anticipate that we will have any difficulty in marketing all the Durum which will be produced.

Mr. SOUTHAM: I just wondered, in that connection, because the farmer did experience a great sense of satisfaction in that market developing, and they were wondering what the prospects were for the future.

Mr. McNAMARA: Our normal Durum exports are running in the neighbourhood of 17 million bushels a year; the previous year we exported 22 million, and this year it will be in excess of 40 million. I would like to have seen a somewhat larger Durum production this year, say in the neighbourhood of 25 million or 30 million. I do not think now, with the condition of the new crop, that we will experience any difficulty in marketing all the Durum for this year.

In connection with what our policy will be in regard to quotas, I would not like to forecast; however, under the present conditions, I think that we will be opening the quota on Durum and that probably we will be taking all Durum off the farms as fast as available, in order that we may take advantage of the continuing demand for Durum while it still exists.

Mr. SOUTHAM: Has this increase sales in top quality wheat on the world markets and the prospects of lower production this year had any strengthening effect of the general over-all tone of the market?

Mr. McNAMARA: We strengthened our prices to a degree. However, the effect of the world situation is that although the Canadian position has improved substantially, the over-all supply of wheat in the world is still the largest on record. At the end of the crop year there will be more supplies available than at any time in history, as the result of which it is pretty difficult to influence buyers to pay a higher price, in view of the large supplies available.

Mr. MUIR (*Lisgar*): Has no one tried to export quick bread flour—say, a quick mix?

Mr. McNAMARA: Do you mean like that mix which Ellison makes at Lethbridge?

Mr. MUIR (*Lisgar*): I am referring to this product which you just mix with milk or water and make your loaf of bread.

Mr. McNAMARA: They do in different cake mixes, but not in connection with bread wheats. There are various reasons for this. I think it is more expensive to manufacture it and ship it from Canada. However, the various regulations within the importing countries in connection with the use of their own indigenous wheat prevents their mills and bakers from using a lot of these products. For instance, in Belgium, the Belgian millers must use 70 per cent of the Belgian crop in their gristing. This makes it difficult for them to import ready mixes or Canadian flour unless it is blended with the flour they produce.

Mr. MUIR (*Lisgar*): Do you have any overseas facilities available—and I am thinking now more of the people who are just taking up the eating of bread—for trying to sell the idea of eating bread?

Mr. McNAMARA: Well, yes. Of course, we have the benefit of the Canadian grain trade which acts as our agents, and these firms are getting into all important markets of the world and pushing our products. Our mills are represented, and we have flour salesmen abroad. There are trade commissioners; the Department of Trade and Commerce represent us in all our important markets, and they are working very closely with us in promoting the sale of Canadian wheat and flour. In addition to this we have encouraged within the last year a technical service within the board, working in co-operation with the board of grain commissioners through the respective departments of agriculture and trade and commerce. We now have the services of the assistant chief cereal chemist, Dr. Irving, who is spending full time in promoting technical service of this kind. We are recruiting personnel. These will be trained technicians who will visit these markets, expounding the virtues of Canadian wheat and trying to educate millers and others how it can be handled and blended to the best possible advantage.

Mr. MUIR (*Lisgar*): That is the type of thing to which I was referring. What facilities do these newer countries have for receiving our wheat? Does it have to be sacked?

Mr. McNAMARA: It varies. Most of them are in a position to handle grain in bulk. Some of the markets still require it sacked. The great preponderance of the shipments to China are in bulk, as well as to Japan.

Mr. MUIR (*Lisgar*): Would there be any advantage in this government helping to build elevators, say in Ghana or some of the other smaller countries?

Mr. McNAMARA: No, not if the purpose of it is to carry Canadian wheat unsold to these countries. It is a very poor type of merchandising to have any grain that is not priced in the hands of the buyer. He starts dictating the price, as a result of which you are at his mercy. I would not suggest that. I think the place to keep the unsold wheat is in Canada where we are free to move it to a market which might develop.

Mr. MUIR (*Lisgar*): Probably the same thing applies to eastern Canada, then. You do not have to answer that question.

Mr. SOUTHAM: In connection with our wheat sales, now that we have brought the Canadian wheat board under the jurisdiction of the Department of Agriculture, has it helped you in the over-all solicitation of world markets?

Mr. McNAMARA: No. In fairness to trade and commerce, I would not say it has helped us, but still it has not hindered us. I had some apprehension because I was afraid it might mean that we would lose the very valuable assistance we got from the trade commissioners in all parts of the world. But my anxieties were dissipated very rapidly, because it was immediately announced by the Prime Minister that although we were transferred to agriculture, we would still have the active cooperation of all the trade commissioner service; and certainly the Minister of Trade and Commerce and his officials are just as close as they have ever been to us, and are giving us the same assistance we had before, so it has not affected our position in merchandising abroad.

Mr. SOUTHAM: I am glad to hear you say that because I was wondering how it worked out.

Mr. KORCHINSKI: In trying to attract sales, do you conduct practical demonstrations of milling and baking, for example?

Mr. McNAMARA: Some of it is done, but not extensively. The regulations of most importing countries as to the percentage of their wheat which must be

used in their local grist makes it difficult for us to demonstrate to them just what could be accomplished by the use of more Canadian wheat; because it is really unfair to the millers who are the buyers of our wheat, to demonstrate a product which could be turned out by using more Canadian wheat, when they are being forced by their own country's regulations to use a larger percentage of their indigenous wheat. But our export trade is very active in this field, and they co-operate with the trade and work as our agents. As I mentioned earlier they are active in every market of the world through their agents, and they are continually explaining and expounding the virtues of Canadian wheat to these potential buyers. Moreover, I think our record of selling in the commercial markets of various countries as compared to that of the United States will show that we are outselling the Americans at a rate of 2 to 1 in commercial markets. I think this is an indication of the efforts we are making, and of the assistance we are receiving from the Canadian grain trade, as well as the valuable assistance we are receiving from our trade commissioners abroad.

Mr. KORCHINSKI: It is a matter of selling and of educating buyers on the merits of our product.

Mr. McNAMARA: That is right.

The CHAIRMAN: We are now on page 15, at the bottom of the page.

Mr. EARL:

Exports of wheat and flour to Europe were 169.2 million bushels as compared with 188.4 million bushels in the previous crop year. The reduction was due to the exceptionally large wheat crop harvested in Western Europe in 1959 and the consequent reduction in import requirements of the area, particularly noticeable in the case of the United Kingdom and the Federal Republic of Germany. In addition, the U.S.S.R. did not purchase Canadian wheat within the crop year 1959-60. France increased imports of Canadian wheat in spite of being a large exporter in 1959-60.

Exports to African countries increased by nearly 2 million bushels, largely as a result of increased purchases by Algeria. Exports to the Union of South Africa were 6.7 million bushels as compared with 7.6 million bushels in the previous crop year. Exports were well maintained to the smaller importing countries of Africa.

Japan was the principal market for Canadian wheat in Asia. Japanese imports of Canadian wheat were a record 46.8 million bushels as compared with 42.1 million bushels in the previous crop year. Exports to India, Pakistan and Ceylon were smaller due to reduced shipments under government aid programmes. There was a sharp increase in exports to the Philippines, and Iraq purchased 2.5 million bushels during the crop year. Government aid programmes included small shipments to Indonesia, Burma and Indo-China. Exports to Israel increased slightly.

Exports to South American countries were 8.9 million bushels as compared with 7.2 million bushels in the previous crop year. The increase was due to larger exports to Peru, Colombia, Ecuador and British Guiana. Chile received Canadian wheat under an aid programme following the disastrous earthquakes in that country.

Principal exports to Central America and the Caribbean Area were in the form of wheat flour. Trade was well maintained in the area as a whole during the crop year.

Exports of wheat to the United States for milling in bond declined, but exports of wheat and flour for domestic use in the United States declined only slightly from the levels of the previous crop year.

Exports of bagged seed wheat were 5.6 million bushels as compared with 5.0 million bushels.

The CHAIRMAN: Are there any questions?

Mr. HORNER (*Acadia*): You say here that our exports to Europe are down. Is that situation continuing in this current crop year, or have we regained some of this loss?

Mr. McNAMARA: Yes, we have regained more than we lost in most of our important markets.

Mr. HORNER (*Acadia*): And does the same hold true with respect to Japan?

Mr. McNAMARA: We are doing better with Japan. Our exports to Japan will be well in excess of 50 million bushels this year. We are doing better with Japan this year.

Mr. SOUTHAM: I am glad to hear about this increase.

Mr. McNAMARA: Yes, we are doing very, very well.

The CHAIRMAN: To what principal countries do we export seed wheat?

Mr. McNAMARA: This seed wheat is registered certified wheat, and it is outside of the control of the Canadian wheat board. As a rule we do not allow it to be exported in the commercial market where it competes with our commercial wheat. But there are a few markets; the main one is Saudi Arabia, where they prefer their wheat soft; they do not mill it, but they eat it in the form of chappatis, and they prefer our registered seed wheat because it is clean. So rather than lose that market we allow this registered seed to move into it. There are one or two other markets, but Saudi Arabia is the main one.

Mr. RIDDEL: Yes, there is Saudi Arabia, the Persian Gulf, Portugese Goya, and one or two small countries; and we did allow some of this to go to Colombia in South America this past year, because we did have a surplus, and there was no other way we could supply them in competition with American grain.

Mr. HORNER (*Acadia*): It has been said at other meetings that Russia imports wheat from Canada, and that this wheat goes to the eastern edge of Russia, for example, north of Manchuria and in that area.

Mr. McNAMARA: That is right.

Mr. HORNER (*Acadia*): And the reason Russia imports it is because of the difficulty of bringing their own wheat to the uttermost eastern edge of their country. Would that be a reasonable assumption?

Mr. McNAMARA: Yes, and before I continue to answer, I would like to say that when I was speaking about the sale of seed wheat, I should have said that the United States constitute the largest market for registered certified seed to be used as seed wheat. The other markets I was referring to had to do with the use of this seed wheat for human consumption.

Mr. SOUTHAM: I was going to ask you about the large number of American farmers who in recent years have been crossing over the line and coming into Canada around my area, for the purpose of growing seed grain to create registered seed. May I ask how much registered seed has been exported from that area? I refer to my own area, of course? I ask this question because it has been a topic for considerable discussion among agricultural people in that particular area of Canada.

Mr. McNAMARA: You want to know the quantity of registered seed exported?

Mr. SOUTHAM: I mean the quantity exported by American farmers coming up to Canada and leasing land in our area. That is how they get around the export quotas.

Mr. McNAMARA: No, they must have a permit. We do not allow the export of seed without a permit which is issued by the Canadian wheat board.

Mr. SOUTHAM: Have you any figures to indicate how much export seed was coming out of that area?

Mr. McNAMARA: Yes, we can get the figure for you; we shall try to get it for you. Now, coming back to Mr. Horner's question about Russian wheat, the Russians have advised us—and I have talked with them both in Russia as well as in Canada on several occasions—that the wheat they are purchasing from Canada is mainly used to service this Vladivostok area that you referred to. They point out, as we point out to them, that it is good business to take this wheat from Vancouver and to ship it by boat, rather than to transport it by rail all across northern Russia. They accept this premise, A few years ago some of their wheat did go into Europe, and I think was used to provide eastern Germany with some of its requirements. Last year Russia again picked up 200,000 tons, and this was on a movement to the Vladivostok area. Only one cargo has to be delivered to complete those shipments, and early in the fall when I met some of the Russians in Europe, they advised me this wheat was again going in the Vladivostok area but I believe there is a possibility this year Russia may divert some of this wheat to East Germany.

I may add that recent reports we have received from our trade commissioners indicate the Russians are now considering making 300,000 tons of wheat, flour are rye available to China, and it is possible they might divert some of these last Canadian shipments to China.

Mr. HORNER (Acadia): I suspect this would be more or less as a gift?

Mr. McNAMARA: Yes.

Mr. HORNER (Acadia): If Russia feels it is cheaper to ship wheat from Canada rather than haul it from the interior of Russia, they might feel the same thing about selling wheat to Japan.

Mr. McNAMARA: They have tested the Japanese market. A few cargos of Russian wheat were sent to Japan but, fortunately for us, the quality of the wheat did not impress the Japanese millers, and we hope this will continue.

Mr. HORNER (Acadia): Was this because of foreign material in the wheat or because of the quality of the wheat?

Mr. McNAMARA: The quality of the wheat was not good.

Mr. KORCHINSKI: While we are supplying wheat from Canada to the Vladivostok area, on the other hand the Russians are using their wheat and selling it on overseas markets where we are competing.

Mr. McNAMARA: I think that is right.

Mr. KORCHINSKI: Therefore, we might not be gaining anything by it?

Mr. McNAMARA: The supplies Russia has available for the European markets, such as Belgium and Holland, are surplus and she would be active in these markets anyway. I do not think we are increasing the volume of Russian exports to Holland and Belgium, by selling wheat which is going to Vladivostok. Anyway, the quantity we send is small in comparison to the total she produces.

Mr. MUIR (Lisgar): You said you were shipping registered wheat to Saudi Arabia for human consumption? What price do they pay for that?

Mr. McNAMARA: They negotiate this direct with the trade and with the wheat growers. The reason we control this movement is that a few years ago we found that registered and certified seed was being offered on the commercial market at prices below our commercial prices. Producers were taking a lower price than board prices, in order to get the additional delivery privileges. We were starting to compete with ourselves by reason of this wheat being offered at very attractive prices below our prices, and that is why we do not allow it now to go into the commercial markets.

There is also another factor which must be considered. Mr. Riddel referred to the experience we had last fall when we allowed some surplus registered wheat to go to Colombia. My colleague, Mr. Robertson, has recently returned

from there and I think he can tell you a lot more about it. I think we shall take a very close look at this before allowing it to happen again. They bought No. 2 seed, which does not compare with our No. 2 or No. 3 Northern, and the person who bought this wheat was very disappointed with its quality when it was delivered to him. In fact, I think it would have a very adverse effect on our future prospects.

Mr. ROBERTSON: There was a variation in the seed. Number two seed might be equal to No. 2 Northern wheat, but the next sack might be No. 3 Northern, and if you get No. 3 seed you would be very disappointed. One miller got good seed, another got poor seed, and some of them wanted to send seed back because it was below what they expected to get from Canada; and this caused difficulty down there.

Mr. MUIR (*Lisgar*): Is the seed which goes to Saudi Arabia bagged, sealed and tagged?

Mr. McNAMARA: Yes.

Mr. MUIR (*Lisgar*): I may be wrong, but I believe the American regulations state that wheat seed exported to the States must also be treated?

Mr. McNAMARA: Yes, that is an American import regulation.

Mr. KORCHINSKI: Is it possible that some countries might be interested in seed wheat of a type or variety which we do not produce here? There may be a small market for a different variety best suited to their conditions, and we are not producing that.

Mr. McNAMARA: In cases where we have an assurance from the importing government that it wants to purchase Canadian seed for seeding purposes or breeding stock, we give authorization for such a movement as that. It is only when it is for human consumption that we control it.

Mr. KORCHINSKI: I was thinking of a potential market for a variety of grain which we are not producing here at the present time.

Mr. McNAMARA: I do not think I am competent to answer that. This would be handled by the seed growers' association and the plant products division of the Department of Agriculture, under which our whole program of seed selection is organized. I understand there is quite a wide exchange of varieties between various countries. A great exchange of seed information is always taking place.

Mr. KORCHINSKI: You are not aware of anywhere we are losing sales because of the fact that we are not able to supply a particular variety of grain?

Mr. McNAMARA: We have lost business this year because we did not have larger volumes of lower grade wheat. Some of this demand was concentrated in countries where quality is not required to the extent that it is required in the United Kingdom and Germany. If we had a larger volume of heavy frosted No. 5, I think we could have increased our exports this year. I have seen some suggestions that we should try to grow this quality of wheat, but that is not the solution to our problem. The thing which we have in Canada, and which no one else has, is quality, and I hope we shall always keep our sights directed on high quality. When we get into the production of low quality, then ours is no better than anyone else's and it will be very difficult to sell it on overseas markets.

Mr. KORCHINSKI: I was thinking primarily of seed wheat.

Mr. PASCOE: I wonder if Mr. McNamara has any comments to make on the Trail, B.C. charter deal, incorporating 10 million bushels of wheat for lead?

Mr. McNAMARA: I do not know too much about that, but it could be American wheat which would be going to a third country of destination.

The report indicated it would be coming back into Canada, but I can assure you that is not so.

The CHAIRMAN: We shall now go on to wheat exports by ports.

Mr. EARL:

WHEAT EXPORTS BY PORTS*

Exports of wheat (including Ontario Winter Wheat) through eastern Canadian ports amounted to 108.4 million bushels, of which 84.0 million bushels were shipped through St. Lawrence ports and 24.3 million bushels through Maritime Atlantic ports. Pacific Coast clearances of wheat were 95.1 million bushels, and shipments from Churchill amounted to a new record of 21.7 million bushels. Shipments of wheat to the United States were 2.1 million bushels. Direct shipments of wheat from Fort William/Port Arthur to overseas destinations were 7.3 million bushels.

*Source: Board of Grain Commissioners for Canada.

Mr. HORNER (*Acadia*): I imagine you keep a close watch on the development of overseas ports? I notice recently Belgium has enlarged its main port by providing additional facilities for handling wheat. In fact, I believe they can now handle something like 3 million bushels a year. Am I right?

Mr. McNAMARA: Yes. One of the grain firms asked the port authorities in Antwerp to increase their storage capacity substantially.

Mr. HORNER (*Acadia*): That would lead one to believe they are going to import wheat for some time yet?

Mr. McNAMARA: This is true.

Mr. HORNER (*Acadia*): This is within the centre bloc, and I just wanted to mention it.

Mr. KORCHINSKI: What are you setting your sights at for the port of Churchill this year?

Mr. McNAMARA: We are setting our sights at all the wheat we can get out of Churchill. We have no roof. To answer your question, however, I would think that the movement out of Churchill this year will correspond to the movement last year very closely. I have explained that there is a definite limit as to the volume of wheat that the western Europeans will purchase during that particular period of time. If we try to force a larger quantity of wheat out of Churchill into those markets we will not only saturate the market but it will probably have the tendency of lowering the whole general price structure in that area. I think you will find that this year our sales are about the same as they were at this time last year. We are still offering further wheat for shipment from Churchill at a later part of the Churchill shipping season, and we will end up very close to last year's figures.

On this point, this question of utilization of ports, you might be interested in information I have here regarding the movement this year to date from various outlets as compared with the same last year. On the Pacific coast—this is all grains, excluding rape seed, from August 1 to June 14—this year we have exported a total of 133.6 million bushels as compared with 120.9 last year.

From Churchill last year we had 19.1 as compared with 21.3 the previous year.

From the St. Lawrence ports we moved 114.3 as compared with 97 at this time last year.

Out of the maritime ports during the winter we moved 34 million, as compared with 25.4 last year.

In the United States we have moved 13.2 as compared with 18.8 last year.

The total movement of Canadian grain exported from August 1 to June 14 this year amounted to 347.8, as compared with 315.8 last year. Of course, in the final month of the crop year this comparison was even more favourable than it was last year. There is going to be a substantial increase in all our movements, except out of Churchill, this year.

MR. KORCHINSKI: Even with the improved facilities at Churchill you could not possibly expect too great an increase in shipments in the future, is that correct?

MR. McNAMARA: I do not think so. It is not a case of what we can deliver and what we can ship. It is what we can sell and what the customers can absorb in that particular period of the year. Churchill shipments, while very beneficial to us, price-wise, do have the effect of retarding our shipments on the St. Lawrence during the period that Churchill is open, with the result that we have difficulty in moving grain in volume out of the St. Lawrence ports during August and September in competition with our Churchill movement.

MR. KORCHINSKI: Would there be any advantage gained in having another terminal somewhere on the east coast? There has been talk of setting up a terminal in Newfoundland, trans-shipping wheat from Churchill into that port.

MR. McNAMARA: This is not practical at all. I was advised by the Baie Comeau people that the additional cost involved would make it impracticable; the extra handling and additional freight to Newfoundland would compare unfavourably with the freight we now pay to the United Kingdom. It would be a duplication of the freight from Newfoundland to its destination. I do think any advantage that we now get as a result of Churchill sales would be lost on such a movement.

MR. KORCHINSKI: So that all the advantage gained on the savings earned now would be nullified?

MR. McNAMARA: In that particular part of the movement.

MR. HORNER (*Acadia*): Concerning this port at Baie Comeau where the Americans built the elevator, what was the trouble? Why did it not operate last winter, in your opinion? I was told it was not too successful.

MR. McNAMARA: The company that built that terminal, Cargill, of course is a Canadian company. They are affiliates of the American parent company, but there were some construction difficulties which they ran into, a number of bugs in getting the elevator to operate. While they contended during the period of construction that it would be an all-winter port, there is some doubt now in their minds as to the feasibility of operating it during the winter on account of currents. That was information made available to me second-hand by some of their competitors.

The question now comes up as to whether it will ever be an all-winter port. Some of our traders are inclined to think it would be easier to keep the port of Quebec operating the year round than it would be to operate Baie Comeau, but harbour people are very resourceful, and it will be interesting to see if they do endeavour to operate it on a year-round basis. I doubt it.

MR. HORNER (*Acadia*): When it was first thought of, it was considered to be an all-winter port.

MR. McNAMARA: This was one of the features. However, do not discount the value of Baie Comeau just because it is not an all-winter port. It has been of substantial advantage to Cargill. They have been able to secure freight moving down to Baie Comeau at the same rate that wheat can be moved to Montreal on the water. We are assessing a premium of three-quarters of a cent

per bushel to Baie Comeau and have so far been able to secure this premium. Of course it has been of terrific benefit to the parent company, the American company, in the movement of American grain out of the St. Lawrence via Baie Comeau.

Mr. KORCHINSKI: This is rather difficult to understand. You told me that there is no advantage to be gained by setting up a terminal in Newfoundland. At the same time you are telling us that there is an advantage to be gained by trans-shipping it from the lakehead to Baie Comeau.

Mr. McNAMARA: I thought I explained it to you. Baie Comeau is operating on American movement, because they have never had an all-water route on corn, sorghum and soyabeans, that originated in the Lake Michigan area out of Chicago. This opened a completely new method of transport and it is of tremendous advantage to the Americans. The seaway has been an advantage to us because it has reduced costs in moving wheat to Montreal, but we always had some advantage of a water route even though we used to transfer at transfer points and put it on canalliers.

Mr. HORNER (*Acadia*): Is there not a two-way freight load going to Baie Comeau?

Mr. McNAMARA: The ore from Seven Islands goes there. These boats are taking grain to Baie Comeau. They go back to Seven Islands and pick up ore for Cleveland. It is quite a natural location in so far as the two-way movements on the lakes are concerned.

The CHAIRMAN: Utilization of special accounts,

Mr. EARL:

Section 29A of the Canadian Wheat Board Act provides that un-claimed balances in the hands of the Board which are six years old or more may, with the approval of governor in council, be transferred to a special account. The Act specifically sets forth that these funds shall be used "for such purposes as the governor in council upon the recommendation of the board, may deem to be for the benefit of producers."

From funds derived from the special account the board continued its policy of providing the opportunity for missions from important grain importing countries to visit Canada. The purpose of these missions is to enable visitors to see at first hand the methods employed in the production, handling, storing, milling and processing, and merchandising of western grain. Provision is made whereby visiting missions can inspect the Canadian elevator system and particularly the movement of western grain to seaboard and port facilities available in Canada. Members of missions may also explore special fields in connection with the marketing of Canadian wheat and wheat products. During 1960 four important missions came to Canada under this programme, as follows:

- (1) A mission from Japan consisting of five members and an interpreter. This mission represented the Japanese food agency and the milling industry of Japan.
- (2) A mission from India consisting of three members representing the ministry and the department of food.
- (3) A mission from Peru consisting of three members and an interpreter, and representing the flour milling industry of that country.
- (4) A mission from the Federal Republic of Germany consisting of four members. The mission was representative of the department of agriculture and forestry.

In arranging programmes for visiting missions, the grain trade in Winnipeg and elsewhere, and other interests in Canada, co-operated generously. The board would like to acknowledge the assistance of the following organizations in connection with missions: the board of grain commissioners for Canada, including the grain inspection branch and the research laboratory; the dominion laboratory of plant pathology, Winnipeg; the dominion laboratory of cereal breeding, Winnipeg; the plant products division, production services, department of agriculture, Winnipeg; the experimental farm services, Department of Agriculture, Ottawa; the Department of Trade and Commerce, Ottawa; the national harbours board, Montreal and Churchill; the provincial wheat pools in Calgary, Regina and Winnipeg; the United Grain Growers Limited, Winnipeg; the milling and baking industries, and the Canadian grain trade throughout Canada.

During the crop year the Institute of Baking and the Baking School of Japan opened its new laboratory, the equipment for which had been provided by the Board from the Special Account.

On September 23, 1959, the out-shore annex of the United Grain Growers Limited Terminal Elevator "A" at Port Arthur, Ontario, collapsed. The collapse resulted in the loss of 1,914,760.1 bushels of wheat, oats and barley valued at \$2,406,175.22.

The United Grain Growers Limited opened negotiations with the Board in regard to the loss and later consulted with the Government of Canada. Pursuant to these negotiations it was decided that the Special Account should be charged with a share of the loss in respect to wheat, oats and barley. The decision arrived at is set forth in Order in Council P.C. 1960-519, dated April 19, 1960. Under this Order in Council the Board recommended that, if the Governor in Council considered such payment to be for the benefit of producers, that the sum of \$775,000.00 should be appropriated from the Special Account for the purpose of paying part of the aforesaid loss resulting from the collapse of the elevator.

Mr. HORNER (*Acadia*): In regard to the wheat in the United Grain Growers' elevator, we are led to believe that it was in effect the property of the wheat board, or of the producers, which would mean the same thing.

Mr. McNAMARA: There was a difference of opinion between our solicitor and the solicitor of the United Grain Growers in regard to ownership. Mr. Monk can probably deal with this question better than I can. We took the view that they had issued the storage receipts and they were entitled to recover on the receipts. This was never decided by the courts. As this indicates, when it was referred to the government, the board recommended that if the governor in council considered that the payment was for the general benefit of our producers, then it should be paid out of our special account.

Mr. HORNER (*Acadia*): Would not the U.G.G. have it insured?

Mr. McNAMARA: Not for collapse. For fire, yes. This elevator collapsed; and that type of insurance was not covered by the terminal at that time.

Mr. HORNER (*Acadia*): Are they carrying it now?

Mr. McNAMARA: Yes. I understand that all of the terminals have been able to work it out now, and I think the majority of them have been able to cover that point.

Mr. HORNER (*Acadia*): This is the first time that that type of elevator accident occurred?

Mr. McNAMARA: Yes, to the best of my knowledge.

Mr. HOWE: How much money is in this special account now?

Mr. EARL: providing for the unexpended authorizations, the figure is \$678,459.44.

Mr. HOWE: That is paid out after the collapse of the elevator.

Mr. SOUTHAM: Would this be paid out of this special account, or would they ultimately be reimbursed from public moneys?

Mr. McNAMARA: No, it would be paid out of the special account.

Mr. HORNER (*Acadia*): In other words, it will come under the final payment, in effect?

Mr. McNAMARA: This special account is an accumulation which developed over the years when producer's certificates were not being presented by producers for payment, and it was transferred, under the provisions of our act, to the special account. It can now only be used for promotion work for the benefit of producers at large. It is to be used for these payments, in addition to these missions and promotional activities, and in addition to the new technical service to which I referred this morning. These are going to be financed out of the special account.

Mr. PASCOE: In regard to these missions, I know it is difficult to estimate the benefit of the missions, but would you say there are increased sales to Japan?

Mr. McNAMARA: I think it is the most effective sales promotion advertising work the board has been doing over the years. I know from the travelling I have been doing, and travelling quite extensively, as you know. In every country in which we have had a mission, we have had a number of new salesmen for Canadian wheat and Canadian products. I think this is the best promotional sales item of work we have undertaken, and we are going to continue and increase it this year.

Mr. PASCOE: In regard to this baking school in Japan, is it established in Japan?

Mr. McNAMARA: Yes. We provided the equipment on a basis of \$35,000. We made it available out of the special account for the purpose of this baking school, for the purpose of exhibiting what can be done with Canadian wheat.

Mr. PASCOE: With Canadian staff?

Mr. McNAMARA: No, the Japanese baking school provided the staff. We just provided the equipment.

Mr. RAPP: Last year arrangements were made by the Canadian wheat board so that western members could visit the Canadian wheat board headquarters and the board of grain commissioners and for some reason that visit never came off. Could similar arrangements be made this year?

Mr. McNAMARA: I hope they will. My recollection was that the invitation was extended, but not accepted by the members of the committee.

The CHAIRMAN: The invitation was extended to all members of the committee, but the committee had not been formed and was not constitutional.

Mr. McNAMARA: One of the members turned up. He was not advised of the cancellation.

Mr. RAPP: Could arrangements be made?

Mr. McNAMARA: Yes.

Mr. RAPP: This was made for the western members, and it would be very much appreciated if arrangements could be made again, so that we could have an opportunity to visit the Canadian wheat board, and the board of grain commissioners.

Mr. McNAMARA: I can assure you, Mr. Chairman, and Mr. Rapp, that we would welcome such a visit and it would be very beneficial for this committee, charged with the responsibility of studying our annual reports and considering

them, if they could spare the time to spend a day or so in Winnipeg. I would not say it would educate you, but I think you would find the information available in the offices of the board of grain commissioners, and in our offices. An inspection would be very interesting and would give you a better knowledge of the progress which we are making in our endeavours.

Mr. SOUTHAM: I might mention that Mr. McNamara happened to be referring to myself. Geographically I am only 240 miles from Winnipeg. It was a very enlightening visit. I spent the whole day there and I can assure the members that if they took the time they would certainly get a lot of worthwhile knowledge from it. At this time I would like to express my appreciation personally for the time they took to give information to this one-man mission.

The CHAIRMAN: I would not like the impression to go on the record that the invitation was extended only to the western members. I think all members received the invitation, and some members from the east were planning to go, including the chairman; but it was cancelled.

Mr. KORCHINSKI: With reference to the collapse of the terminal, with a loss of \$2.4 million, since the lawsuit, the authorities have paid \$775,000. Who instituted the lawsuit?

Mr. McNAMARA: United Grain Growers Limited.

Mr. NASSERDEN: In regard to these four missions in Canada, what was the cost of these missions coming to Canada?

Mr. McNAMARA: We can have that information from Mr. Earl, very shortly.

The CHAIRMAN: I hope the committee will be agreeable to adjourn when we have finished questioning on the items up to now.

Mr. MILLIGAN: Was any of this grain recovered?

Mr. McNAMARA: There was some salvage which United Grain Growers did get, but quite a substantial portion was destroyed when the grain slipped into the slips. While there was some salvage, there was also a heavy loss.

The CHAIRMAN: Mr. Earl will have the information when we convene again.

EVENING SITTING

MONDAY, June 26, 1961.

The ACTING CHAIRMAN (*Mr. Rapp*): Gentlemen, we have a quorum.

Mr. EARL: Mr. Chairman, three questions were asked before we adjourned, and I have the answers here. Mr. Korchinski wanted to know the quantity of wheat in store at off-site storage facilities. I have asked for the figure. And it is 4,836,735 bushels.

Mr. Southam asked how much seed wheat was exported from the riding of Moose Mountain. The Board records show a total of 117,026 bushels.

Mr. Nasserden asked the cost of the various missions to Canada during the 1959-60 crop year. The cost was \$24,844.

The ACTING CHAIRMAN: We will turn now to the next item.

Mr. EARL:

Other Promotional Activities

Early in 1959-60 The Honourable Gordon Churchill, Minister of Trade and Commerce, accompanied by Board representatives, again carried out a sales mission to the United Kingdom and the principal importing countries of Western Europe.

A mission representing the Department of Trade and Commerce and the Board spent some time in Africa in market development work. Included in the itinerary of the mission were Sierra Leone, Ghana, Nigeria, the Congo, Angola, Union of South Africa, Mozambique, Southern Rhodesia, Kenya, Sudan and Egypt.

Members and officers of the Board retained close contact with overseas wheat and flour markets. During the crop year members and officers of the Board visited the United Kingdom, Federal Republic of Germany, Denmark, The Netherlands, Belgium, Norway, Sweden, Switzerland, Poland, Czechoslovakia, France, Greece, Italy, West Indies and Japan.

The London and Rotterdam offices of the Board maintained close liaison with importing countries in Western Europe. During the year plans were established for opening an office in Tokyo, Japan, directed toward market development work in the Far East.

The Canadian Wheat Board film continued to circulate in most importing countries. The film is available in the French, German, Dutch, Spanish, Portuguese, Italian, Polish and Japanese languages.

The Board continued to distribute a brochure dealing with many aspects of western wheat and including samples of the principal grades western grain and flaxseed. This brochure has proved of interest to the import trade and the milling industries in overseas markets.

During the crop year the Board formulated plans to make available technical aid for the milling and baking industries in overseas markets. This programme will go into effect in 1960-61.

In the marketing of wheat and other grains the Board wishes to acknowledge the co-operation which it received from grain shippers and exporters, and the Canadian milling industry.

The Board also wishes to acknowledge the assistance which it received throughout the crop year from the Grain Division, Department of Trade and Commerce, and the Canadian Trade Commissioner Service. These agencies were very helpful in facilitating the marketing of Canadian wheat and flour.

Mr. MUIR (*Lisgar*): I wonder if you might send copies of that brochure to the western members.

Mr. McNAMARA: Yes, we will be glad to do that.

Mr. EARL:

United States Disposal Programmes

The Annual Report of the Board for the crop year 1958-59 outlines the United States surplus disposal policies (see Pages 16, 17 and 18). These programmes were continued and intensified during 1959-60 under increased appropriations by the United States Congress, with wheat and flour exports under government programmes increasing from 302 million bushels during the 1958-59 crop year to 373 million bushels during the 1959-60 crop year. Legislative changes affecting the surplus disposal programmes enacted during the 1959-60 crop year, together with the performance under the major programmes during the same period, are as follows:

(1) *Disposal of Grains for Local Currencies:*

Title I—Public Law 480 and Section 402 of Public Law 665

An amendment of September 21, 1959 to the Agricultural Trade Development and Assistance Act of 1954 extended the authority for

Title I of Public Law 480 for two years to December 31, 1961. A further \$1.5 billion was appropriated for use during each of the calendar years 1960 and 1961, bringing the total authorizations under this programme to \$9.25 billion. In this amendment was the provision that not less than the equivalent of 5 per cent of the foreign currency accruing from sales under Title I be available for agricultural market development activities. Other revisions in the use of foreign currency provided for the purchase of additional materials, broadening of development programmes, purchase of non-food items for emergency use and the use of a limited amount of funds for audio-visual material.

From the inception of the programme in July, 1954 to June 30, 1960, 195 agreements or supplements to agreements had been entered into with 38 countries at an estimated cost to the Commodity Credit Corporation of \$6.8 billion. During this period agreements involving wheat and/or flour have been made with 28 countries and exports of wheat and flour since the inception of this programme have amounted to 1,028 million bushels, of which 301 million bushels were exported during the 1959-60 crop year. The recipient countries were Austria, Brazil, Ceylon, Chile, China (Taiwan), Colombia, Ecuador, Finland, Greece, Iceland, India, Indonesia, Iran, Israel, Italy, Japan, Korea, Pakistan, Paraguay, Peru, Poland, Portugal, Spain, Turkey, U.A.R. (Egypt), U.A.R. (Syria), Uruguay and Yugoslavia.

Wheat and flour exports under Section 402 of Public Law 665 amounted to 13 million bushels during the 1959-60 crop year. Total wheat and flour exports under this programme from July, 1954 to June 30, 1960 amounted to 258 million bushels. The recipient countries for wheat and/or flour have been Austria, Bolivia, Ceylon, China (Taiwan), Denmark, Egypt, Ethiopia, Formosa, France, Germany, Greece, Guatemala, India, Indo-China, Iran, Israel, Japan, Jordan, Korea (South), The Netherlands, Pakistan, Turkey and Yugoslavia.

The ACTING CHAIRMAN: Are there any questions on this item?

Mr. ROGERS: Mr. Chairman, I notice that China is mentioned. How about that?

Mr. McNAMARA: It is Taiwan—Formosa.

Mr. ROGERS: Oh, it is not mainland China?

Mr. McNAMARA: No.

Mr. HORNER (*Acadia*): What amount would Japan be receiving under this program?

Mr. McNAMARA: In recent years Japan is not a recipient. This is simply reviewing the past experience, since the inception of the plan.

The ACTING CHAIRMAN: Are there any more questions.

Mr. EARL:

(2) *Disposal of Grains for Famine and Disaster Relief:*

Title II—Public Law 480

In the amendment of September 21, 1959 to the Agricultural Trade Development and Assistance Act of 1954 provision was made for extending the authority of Title II of Public Law 480 for two years to December 31, 1961. The amendment also provided \$300 million annually during the calendar years 1960 and 1961, bringing the total funds authorized under Title II to \$1.4 billion. The Act was further amended in May, 1960 when legislation provided for a broader use of C.C.C. stocks of surplus agricultural commodities to assist needy people and pro-

mote economic development in underdeveloped areas in addition to that which can be accomplished under Title I and Title IV. This amendment also authorizes the payment of transportation cost of commodities transferred under Title II to designated points in landlocked countries. Prior legislation provided for the payment of ocean freight costs on Title II shipments. Wheat and flour exports under Title II during the 1959-60 crop year totalled 11 million bushels, involving a cost of \$37.4 million. Total wheat and flour exports under this programme from inception to June 30, 1960 totalled 75.9 million bushels for an estimated value of \$258.6 million. The value of feed grains exported under this programme to June 30, 1960 amounted to \$54.8 million, of which \$8.4 million were applied in the crop year 1959-60. Donations of cereals have been made to the following 37 countries: Afghanistan, Austria, Bolivia, Ceylon, China, Costa Rica, Czechoslovakia, Ethiopia, Germany (East), Germany (West), Ghana, Guatemala, Guinea, Haiti, Honduras, Honduras (British), Hungary, India, Iran, Italy, Japan, Jordan, Korea, Lebanon, Libya, Mexico, Morocco, Nepal, Pakistan, Peru, Ryukyu Islands, Tunisia, Turkey, Uruguay, Vietnam, Yemen and Yugoslavia.

(3) *Disposal of Grains under Barter Arrangements:*

Title III—Public Law 480

Title III requires that barter transactions be in the best interest of the United States and that no restrictions be placed on countries of the free world into which surplus commodities may be bartered, except where necessary to take reasonable precautions to assure that world prices of agricultural commodities are not unduly disrupted or cash sales for dollars replaced. To safeguard usual marketings of the United States and avoid undue disruption of world prices of agricultural commodities or replacement of cash sales for dollars, the United States Department of Agriculture on September 16, 1959, announced a number of changes in the barter programme through which the Commodity Credit Corporation exchanges surplus agricultural commodities for strategic and other material produced abroad. These changes are outlined in detail on Pages 17 and 18 of the Board's 1958-59 Annual Report.

Since July 1, 1954, 253.5 million bushels of wheat and flour have been exported under this programme, of which 23.7 million bushels were exported during the 1959-60 crop year. During the 1959-60 crop year 43.3 million bushels of oats, barley, rye and corn were exported from the United States, bringing the total quantity of these four grains exported from the United States under this programme since July 1, 1954 to 293.1 million bushels. Since July 1, 1954 approximately 97 countries have received agricultural commodities under this programme totalling \$1.2 billion.

The ACTING CHAIRMAN: Are there any questions on this paragraph three?

Mr. MUIR (*Lisgar*): I wonder if the chairman would like to comment on the reason why the reduction provision is not working?

Mr. McNAMARA: It is related to their production program. They are not on a sound basis so far as production within the United States is concerned. I think they are moving a lot of grain, but they still have uneconomic production at home, and they are not helping it in any way by these special aid programs.

Mr. RIDDEL: I think under the production program they still encourage almost maximum production, except under these plans where grain has been taken out of production. But on the other hand they allow the use of fertilizer

which can make up for the production by heavier production, on the better land, and which offsets the production from the poorer lands that have been taken out of production.

Mr. MUIR (*Lisgar*): Has their volume actually increased under their retirement of some of these lands?

Mr. McNAMARA: Yes, their wheat crop last year was the second largest in history, and this year it will be almost as large again; so instead of reducing their production, it has actually increased.

The ACTING CHAIRMAN: Are there any more questions?

Mr. HORNER (*Acadia*): About the middle of paragraph (2) you say "the act was further amended in May, 1960 when legislation provided for a broader use of the C.C.C. stocks of surplus agricultural commodities . . ." and then in paragraph (3) you say, as I remember it—there was something along the line which suggested that "to safeguard usual marketings of the United States and avoid undue disruption of world prices of agricultural commodities or replacement of cash sales for dollars, the United States Department of Agriculture . . .", and so on. In other words, here you say they cannot curtail the use of barter in the Commodity Credit Corporation, and in the first place they make a broader use of it.

Mr. McNAMARA: In paragraph two we are dealing with the type of disposal of grain for famine and disaster relief, while in paragraph three, it is disposal of grain under barter. The experience of the United States is that the barter arrangement has not worked out satisfactorily, and also that these barter transactions were displacing dollar sales which they could have been making. They realized this and put a tighter control on their barter transactions.

Mr. HORNER (*Acadia*): They are watching the barterers, but in the case of famine relief, they are more liberal.

Mr. McNAMARA: That is right.

The ACTING CHAIRMAN: Are there any more questions?

On item 4 "long-term supply contracts: Title IV—public law 480".

Mr. EARL:

(4) Long-Term Supply Contracts:

Title IV—Public Law 480

The purpose of this Title, which was provided for in September 21, 1959 amendment to the Agricultural Trade Development and Assistance Act of 1954, is to utilize surplus agricultural commodities to assist the economic development of friendly nations by providing long-term credit for purchase of surplus agricultural commodities for domestic consumption during periods of economic development. Under this new provision the President of the United States is authorized to enter into agreement with friendly nations to undertake to provide for delivery annually of certain quantities of surplus commodities for a period not to exceed 10 years. Payments will be made in dollars in approximately equal instalments over a period not to exceed 20 years, with interest not exceeding the cost of funds to the United States Treasury.

Up to the end of the 1959-60 crop year the United States Government had not entered into agreements with the governments of other friendly nations for the delivery of surplus agricultural commodities under this Title. However, the Department of Agriculture is proceeding to implement this new authority by means of a "pilot" country approach from which to gain experience bearing on the later development of the Title IV programme.

UNITED STATES WHEAT AND FLOUR EXPORTS UNDER GOVERNMENT PROGRAMMES*

Programme	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60 ¹
Public Law 480:						
Title I.....	23,802	94,300	200,500	178,035	230,820	301,214
Title II.....	15,991	11,900	12,200	14,290	10,861	10,677
Title III						
Barter.....	46,458	66,700	86,900	9,501	20,154	23,745
Donations.....	—	2,788	11,735	17,993	20,219	24,349
Public Law 665:						
Section 402.....	70,811	65,000	63,600	25,611	20,062	12,985
TOTAL.....	157,062	240,688	374,935	245,430	302,116	372,970

* Source: Agricultural Marketing Service, United States Department of Agriculture.

¹ Preliminary.

Mr. HORNER (*Acadia*): This seems like a major step towards the granting of long term credit for the purchase of wheat. In effect this is what this is, is it not?

Mr. McNAMARA: Yes; to a degree. I thing I am right, if my memory serves me correctly. Mr. Esdale who is here can correct me if I am wrong. This pilot company which was developed this year turned out to be in Italy. This is an asinine move, because Italy is a country which has been importing substantial quantities from the United States this year and paying cash. They bought low quality wheat. They were reluctant to take our good milling wheat, because they were afraid their mills and the public generally would become too friendly to the quality of bread that could be produced. I am not arguing the merits of the Italians purchasing this American wheat. However, under this policy the Americans came out and made a substantial grant to Italy and disrupted the cash sales they were making. The only excuse they could give was that they had to try it out somewhere and Italy was the only country which would do it. Mr. Esdale informs me that Lebanon is the country. Italy was M.S.A.—mutual security.

Mr. HORNER (*Acadia*): What is M.S.A.? Is this security against the advance of communism?

Mr. McNAMARA: Yes.

Mr. HORNER (*Acadia*): In a sense.

Mr. McNAMARA: Yes.

Mr. HORNER (*Acadia*): Did this in any way curtail or lose any sales for Canada?

Mr. McNAMARA: No, because unfortunately we had not been successful in persuading the Italians to purchase Canadian wheat. This is why the sample was an asinine policy, because the Americans had the market and it was a waste of money.

The Acting CHAIRMAN: We will move on to item 8.

Mr. HORNER (*Acadia*): I have one more question. Would our Colombo plan gifts compare more with title II?

Mr. McNAMARA: Yes. Mr. Riddel points out it would compare more with title I because the Canadian government does get some benefit.

Mr. HORNER (*Acadia*): What about the Chinese deal?

Mr. McNAMARA: The Chinese deal is a straight commercial sale so far as Canada is concerned.

Mr. HORNER (*Acadia*): I know; but still we are accepting currency other than Canadian.

Mr. McNAMARA: But it is convertible currency, Title I currencies are not convertible. There is a big difference.

The Acting CHAIRMAN: We will go on to item 8. I thing Mr. McNamara said that the pool account in the supplementary report is more up to date.

Mr. McNAMARA: Yes.

The Acting CHAIRMAN: Shall we read No. 8 in the main report first and then go back?

Mr. McNAMARA: I would suggest that we clean up the main comments in respect of all the pools and then leave the final financial statements for cleaning up in the supplementary report.

The Acting CHAIRMAN: Then we will go on with item 8.

Mr. EARL:

8. 1959-60 Pool Account—Oats

POLICY

By authority of Order in Council P.C. 1959-788, June 22, 1959, Parts III and IV of the Canadian Wheat Board Act were extended to oats for the crop year 1959-60. By the same authority the initial price for oats was established at 60 cents per bushel basis No. 2 Canada Western Oats in store Fort William/Port Arthur. Initial prices for other grades were established by the Board and approved by Orders in Council.

BOARD RECEIPTS

The following table shows Board receipts from producers, by months, from August 1, 1959 to July 31, 1960:

	Bushels
August, 1959.....	859,070.3
September.....	3,462,298.5
October.....	1,996,450.9
November.....	1,629,815.7
December.....	1,218,128.9
January, 1960.....	822,358.1
February.....	814,798.7
March.....	731,131.5
April.....	947,594.7
May.....	2,076,811.3
June.....	2,364,796.8
July.....	6,737,869.9
TOTAL.....	23,661,125.3

Producer delivered 23.7 million bushels of oats to the 1959-60 Pool as compared with 38.7 million bushels in the previous Pool. During the crop year producers' deliveries of oats were confined to marketings under the unit and general quotas. There were no supplementary quotas applicable to oats.

GRADE PATTERN

The following table shows Board receipts of oats from producers by principal grades, along with the percentage of total receipts of each grade:

Grade (Including Toughs and Damps)	Bushels	% of Total
No. 2 Canada Western.....	141,105.2	.60
Extra No. 3 Canada Western.....	309,498.2	1.31
No. 3 Canada Western.....	2,000,938.1	8.46
Extra No. 1 Feed.....	4,863,326.2	20.55
No. 1 Feed.....	15,091,082.5	63.78
No. 2 Feed.....	1,000,330.7	4.23
No. 3 Feed.....	176,111.9	.74
Other grades.....	78,732.5	.33
TOTAL.....	23,661,125.3	100.00

The principal grades of oats delivered to the 1959-60 Pool were Extra No. 1 Feed and No. 1 Feed, these grades accounting for 84.3 per cent of total deliveries for the crop year.

1959-60 Pool Account—Oats

The following table shows the operating position of the 1959-60 Pool Account from August 1, 1959 to July 31, 1960:

	Bushels	
1. Oats acquired by the Board:		
(a) Producers' deliveries August 1, 1959 to July 21, 1960.....	23,661,125.3	
(b) Oats otherwise acquired.....	40,019.0	
(c) Purchased from the 1958-59 Pool Account—Oats.....	5,311,435.8	
Total oats acquired.....	29,012,580.1	
	(Value)	(Value)
2. Cost of oats acquired.....		\$16,854,471.84
3. Proceeds of sales and value of unsold stocks of oats as at July 31, 1960:		
(a) (i) Completed sales at realized prices. \$	9,457,195.21	
(ii) Uncompleted sales at contract prices	631,902.21	
Total proceeds from sales.....	10,089,097.42	
(b) Value of unsold stocks of oats at cost...	8,637,274.73	18,726,372.15
4. Gross surplus as at July 31, 1960.....		1,871,900.21
5. Operating costs—August 1, 1959 to July 31, 1960:		
(a) Carrying charges including terminal storage.....	1,330,173.77	
(b) Interest and bank charges.....	53,624.86	
(c) Freight recovered on export oats..... (	8,241.99)	
(d) Drying charges.....	30,333.52	
(e) Brokerage and Clearing Association charges.....	2,118.51	
(f) Administrative and general expenses...	86,981.21	1,494,989.88
6. Credit balance in the 1959-60 Pool Account—Oats, as at July 31, 1960, after valuing stocks of oats on hand at cost prices basis in store Fort William/Port Arthur.....		\$ 376,910.43

¹ Purchased from non-producers at the Board's initial prices basis in store Fort William/Port Arthur.

We will now skip to general comment on the marketing of oats.

General Comment on the Marketing of Oats—1959-60

Oats production in the prairie provinces in 1959-60 was estimated at 263 million bushels as compared with 240 million bushels in the previous year. Production in both years was moderate in volume. In the disposition of these oats crops, farm consumption was by far the most important factor. Under delivery quotas established in 1958-59 and 1959-60, producers marketed 38.7 and 23.7 million bushels in each crop year, respectively.

In contrast, oats production in the deficit areas within Canada continued at a higher than average level and this affected the volume of oats required from commercial stocks of western oats. During the latter part of July, 1960 there was a sharp increase in domestic demand for oats due to a reduced 1960 crop in Ontario. The United States market for oats and other export markets were very limited during 1959-60.

The commercial supply position for 1959-60 was as follows:

	Million bushels
Commercial carryover—July 31, 1959	39.0
Producers' deliveries—1959-60 Pool Account	23.7
TOTAL	62.7

Commercial supplies of western oats for 1959-60 amounted to 62.7 million bushels. On July 31, 1960 the carryover was 21 million bushels. This meant that the commercial utilization of oats during the crop year (for the domestic and export markets) amounted to 42 million bushels. Of these quantities of oats, 36 million bushels were sold in the domestic market and 6 million bushels were sold for export.

In supplying the 42 million bushels of oats required to meet commercial demand in 1959-60, the board utilized the equivalent of producers' marketings of 24 million bushels and the balance of the market was supplied from stocks carried over in elevators on July 31, 1959.

The reduction in stocks of oats carried in elevators was helpful in bringing supplies of commercial oats into a more realistic relationship with potential market demand.

During the crop year farm stocks of oats in the prairie provinces (as estimated by the dominion bureau of statistics) declined from 53 million bushels to 48 million bushels, and commercial stocks declined from 39 million bushels to 20.8 million bushels.

The following table shows exports of oats for the crop year 1959-60, along with comparative statistics for 1958-59:*

	1959-60	1958-59
	(million bushels)	
Germany	2.2	1.3
The Netherlands	1.2	0.4
United States	1.1	1.4
United Kingdom	0.6	3.4
Belgium	0.4	0.1
Others	0.1	0.4
TOTAL	5.6	7.0

*Source: Board of Grain Commissioners for Canada.

As shown by the preceding table exports of oats in 1959-60 were 5.6 million bushels as compared with 7 million bushels in the previous crop year. Germany, The Netherlands and the United States were the principal buyers of oats, with smaller quantities going to the United Kingdom and Belgium. A sharp decline occurred in exports of oats to the United Kingdom during the past crop year.

The following table shows the monthly average board quotations for No. 1 feed oats, along with high and low prices recorded in each

month from August 1, 1959 to July 31, 1960 (all prices basis in store Fort William/Port Arthur):

	High	Low	Average
	(cents per bushel)		
August, 1959.....	73½	70½	71½
September.....	73½	72½	73
October.....	81½	73½	77½
November.....	81½	76½	79½
December.....	77½	71½	75½
January, 1960.....	77½	76½	77½
February.....	76½	74½	75½
March.....	77½	73½	75½
April.....	77	75½	76½
May.....	78½	76½	77½
June.....	79½	76½	78½
July.....	81½	76	78½

The crop year commenced with asking prices for No. 1 feed oats ranging slightly over 70 cents per bushel. Market prices strengthened in September, October and November, reaching 81½ cents per bushel for No. 1 feed oats in mid-November, and an average of 79½ cents per bushel for the same month. In December, asking prices for No. 1 feed oats declined by nearly 4 cents per bushel. For the balance of the winter months prices were relatively stable, with little change in trend. From the opening of navigation prices strengthened moderately and reached the high point of the crop year in late July when there was a sharp increase in demand because of the crop damage in eastern Canada, particularly in Ontario.

In summary, the oats position continues to reflect lack of export demand and particularly demand from the United States. In the five years ending July 31, 1960, exports of oats averaged 12.4 million bushels as compared with an average of 52.9 million bushels during the preceding five-year period. Lack of exports continues to limit the quantities of oats which producers may expect to deliver.

The CHAIRMAN: Gentlemen, are there any question on the pool account of oats?

Mr. NASSERDEN: On page 19, under grade patterns, it shows there is very little No. 2 or No. 3 oats. Has this caused the board any concern or problems in marketing?

Mr. McNAMARA: Yes, it has caused us some concern in this particular crop year, and it has caused our marketing companies some concern as well. This was due to the weather and harvesting conditions, and it necessitated our making special arrangements for over-the-quota deliveries in carlots, with the result the millers had the opportunity of selecting good milling oats for shipment over and above the regular quota. To a great degree, this allowed the millers to get a better than normal quality of oats for their export business. But, certainly, the lack of adequate supplies does affect the industry.

Mr. NASSERDEN: You say it is mostly due to the weather?

Mr. McNAMARA: Yes. This particular year it was due to the harvesting conditions.

Mr. SOUTHAM: With the prospects of a short crop in the west this year, what is the situation in regard to Canada?

Mr. McNAMARA: This is difficult to answer now. As I indicated earlier, the elevator agency indicated to us that there was another 30 million bushels the producers would like to market prior to the end of July. However, the reports today from the west are still very discouraging. The president of the Saskatche-

wan pool has just come in, and he should be giving this situation. However, according to advice received from the Saskatchewan co-operative as published, the condition rate another 19 points this week, and our reports on deliveries, in the west particularly, in connection with oats and barley, is to the effect that they are slowing up rapidly. If the western producers now decide they are going to retain for home consumption the bulk of the oats that we were anticipating would be delivered, this will tighten up the supply materially. This is a situation the board will have to watch very closely the next few days. It may be that the present stocks of oats which we were planning on moving to the Lakehead, and then east, will be required locally, and we may have to consider opening up quotas in the Peace river district where crop conditions are more favourable in obtaining adequate supplies to meet the market requirements.

Mr. ROGERS: A 40 million bushel drop a year is considerable. You say here that exports of oats averaged 12.4 million bushels as compared with an average of 52.9 million bushels during the preceding five-year period. What is the reason for this?

Mr. McNAMARA: It has been due to the loss of the American market. The American market really is the only commercial outlet for any great volume of Canadian oats. However, during the last five years, on account of the price prevailing in the United States, there has not been a market for Canadian oats in the United States, and we have not been able to compete. And, the position this year is going to be even more unfavourable than it was last year because, as we reported last year, we exported 5.6 million bushels of oats. Up until June 14th of this year we have been able to export only 1.7 million bushels. There is practically no export movement of oats outside of Canada.

Mr. HORNER (*Acadia*): I do not know whether or not this is the place where we are going to deal with this feed mill question, or whether it may be that you will wish to deal with it later.

Mr. McNAMARA: We dealt with it in our supplementary report. We can deal with it now or later, whichever you wish.

Mr. HORNER (*Acadia*): If you deal with it in a supplementary report, that will be fine.

Mr. McNAMARA: I think this is where we give you the final results.

Mr. NASSERDEN: On page 20, under "Comment on the operating statement—1959-60 pool account—oats", it says that a small amount of oats was purchased from other than producers. What does that cover?

Mr. McNAMARA: Just a minute, we shall get you that information.

Mr. RIDDEL: I am sorry, but we have not got the details. The purchases were made from other than producers at the initial payment prices. I presume they may have been overages but I cannot figure out why an elevator company would sell those overages to the board, when they have the right to do otherwise. There is a footnote in the supplementary report, indicating that the 40,019 bushels represented purchases from non-producers at the board's initial prices, basis in store Fort William-Port Arthur.

Mr. McNAMARA: We shall get the breakdown of this for you, Mr. Nasserden.

The VICE CHAIRMAN: We shall go on to the next item.

Mr. EARL:

9. 1959-60 Pool Account—Barley

POLICY

By authority of order in council P.C. 1959-788, June 22, 1959, parts III and IV of the Canadian Wheat Board Act were extended to barley

for the crop year 1959-60. By the same authority the initial price for barley was established at 96 cents per bushel basis No. 3 Canada western six-row barley in store Fort William/Port Arthur. Initial prices for all other grades of barley were established by the board and approved by orders in council.

BOARD RECEIPTS

The following table shows receipts of barley from producers, by months, from August 1, 1959 to July 31, 1960:

	Bushels
August, 1959.....	1,091,140.9
September.....	6,403,074.9
October.....	9,862,794.3
November.....	9,485,487.9
December.....	8,952,846.0
January, 1960.....	5,541,835.5
February.....	4,722,868.0
March.....	3,619,114.1
April.....	4,535,527.5
May.....	8,096,444.8
June.....	9,803,358.6
July.....	22,788,695.5
TOTAL.....	94,903,188.0

Producers' deliveries of barley amounted to 94.9 million bushels in 1959-60 as compared with 122.4 million bushels in the previous crop year. Producers delivered barley steadily for the period from September through June, while deliveries increased sharply in the final month of the crop year. July deliveries of 22.8 million bushels constituted nearly one-quarter of total barley deliveries for the crop year.

GRADE PATTERN

The following table shows the principal grades of barley delivered by producers in 1959-60:

Grade (Including Toughs and Damps)	Bushels	% of Total
No. 2 C.W. Six-Row.....	3,609,318.8	3.80
No. 3 C.W. Six-Row.....	26,439,953.1	27.86
No. 4 C.W. Six-Row.....	2,104,596.9	2.22
No. 2 C.W. Two-Row.....	1,556,133.3	1.64
No. 3 C.W. Two-Row.....	6,574,458.1	6.93
No. 1 Feed.....	44,920,204.6	47.33
No. 2 Feed.....	8,213,523.0	8.65
No. 3 Feed.....	1,201,423.0	1.27
Other grades.....	283,572.2	.30
TOTAL.....	94,903,188.0	100.00

The principal grades of barley delivered to the 1959-60 pool were No. 1 feed and No. 3 C.W. six-row; these grades accounted for about 75 per cent of total receipts. Other grades were delivered by producers in nominal quantities. As a result of the unfavourable harvest in 1959, 8.0 million bushels of barley were delivered as toughs and 2.7 million bushels as damps.

STANDING COMMITTEE

1959-60 Pool Account—Barley

The following table shows the operating position of the 1959-60 pool account from August 1, 1959 to July 31, 1960:

	Bushels	
1. Barley acquired by the board:		
(a) Producers' deliveries August 1, 1959 to July 31, 1960.....	94,903,188.0	
(b) Barley otherwise acquired.....	1,442.6	
(c) Purchased from the 1958-59 Pool Account—Barley.....	14,271,337.8	
Total barley acquired.....	109,175,968.4	
	Value	(Value)
2. Cost of barley acquired.....		\$ 97,463,182.40
3. Proceeds of sales and value of unsold stocks of barley as at July 31, 1960:		
(a) (i) Completed sales at realized prizes..	\$58,315,754.83	
(ii) Uncompleted sales at contract prices	3,275,547.39	
Total proceeds from sales.....	61,591,302.22	
(b) Value of unsold stocks of barley at cost.	41,095,242.85	102,686,545.07
4. Gross surplus as at July 31, 1960.....		5,223,362.67
5. Operating costs—August 1, 1959 to July 31, 1960:		
(a) Carrying charges including terminal storage.....	3,438,854.72	
(b) Interest and bank charges.....	135,334.82	
(c) Freight recovered on export barley.....	(362,799.45)	
(d) Diversion charges on export barley.....	65,469.57	
(e) Drying charges.....	221,737.41	
(f) Brokerage and Clearing association charges.....	3,415.41	
(g) Administrative and general expenses...	333,043.31	3,835,055.79
6. Credit balance in the 1959-60 pool account—barley, as at July 31, 1960, after valuing stocks of barley on hand at cost prices basis in store Fort William/Port Arthur.....		\$ 1,388,306.88

¹ Purchased from non-producers at the board's initial prices basis in store Fort William/Port Arthur.

COMMENT ON THE OPERATING STATEMENT— 1959-60 POOL ACCOUNT—BARLEY

The above table sets forth the following position of the 1959-60 barley pool for the period from August 1, 1959 to July 31, 1960. The statement should be interpreted on the basis of the following considerations:

- (1) The 1959-60 barley pool consisted of 109.2 million bushels. Producers' deliveries to the pool were 94.9 million bushels. A total of 14.3 million bushels were transferred from the 1958-59 pool as at March 4, 1960. A small amount of barley was purchased from others than producers.
- (2) The 1958-59 pool was closed as at March 4 1960 and therefore a substantial part of board sales of feeding grades of barley during the crop year 1959-60 were credited to the 1958-59 pool account. It has been the practice of the board to credit sales of barley accepted for malting or other industrial uses to the crop account to which such barley was delivered by producers. Therefore, grades of barley delivered by producers in 1959-60 and accepted for malt-

ing or other specialized uses were credited to the 1959-60 pool account, even though these grades were sold prior to the closing of the 1958-59 pool account.

- (3) From August 1, 1959 to July 31, 1960 completed sales of barely for the account of the 1959-60 pool were 58.5 million bushels. In addition, the board had uncompleted sales of barley on its books as at July 31, 1960 in the amount of 3.3 million bushels. Weight losses in drying were 189,879.3 bushels.
- (4) The unsold inventory in the 1959-60 pool as at July 31, 1960 was 47.1 million bushels. This inventory was valued at cost; i.e. at initial payment prices for each grade in the inventory.
- (5) Operating costs of the 1958-59 pool account to July 31, 1960 amounted to \$3,835,055.79. These costs consisted principally of carrying charges on barley stored in country and terminal elevators and amounted to \$3,438,854.72. Interest and bank charges were \$135,334.82. Freight recoveries on barley shipments to pacific coast ports for export provided a credit item of \$362,799.45. Diversion charges on barley shipped to pacific coast ports for export were \$65,469.57. Drying charges were \$221,737.41. Brokerage and clearing association charges were \$3,415.41, while administrative and general expenses to July 31, 1960 amounted to \$333,043.31.
- (6) After applying proceeds of sales, valuing the inventory at cost and allowing for operating costs as recorded above, the 1959-60 barley account showed a credit balance of \$1,388,306.88.

Mr. BOULANGER: What is the total production of barley?

Mr. McNAMARA: In western Canada?

Mr. BOULANGER: Yes.

Mr. McNAMARA: You mean produced in western Canada?

Mr. BOULANGER: Yes.

Mr. McNAMARA: That is given in table three, on page 3, in the appendix. Total production of barley was 201,000,000 bushels in 1960.

Mr. BOULANGER (*Interpretation*): This means that only 94 million bushels were delivered to the wheat board?

Mr. McNAMARA: That is right. The rest was retained on the farms and used in western Canada.

Mr. BOULANGER (*Interpretation*): Was the balance sold on the free market?

Mr. McNAMARA: The bulk of the balance would be fed by the producers on their own farms, or else marketed in the provinces in which it was produced. It was not put into commercial channels.

Mr. MUIR (*Lisgar*): In spite of the toughs and the damp, you had enough for malting purposes in that particular crop year?

Mr. McNAMARA: Yes. The Manitoba barley came up in fairly good condition and we were able to supply the malting demand.

Mr. MUIR (*Lisgar*): What is the domestic malting demand?

Mr. McNAMARA: About 18 to 20 million bushels. That is what the Canadian maltsters use. We shall leave the pool account—barley, and deal with general comment.

Mr. EARL:

GENERAL COMMENT ON THE MARKETING OF BARLEY—1959-60

The commercial utilization of barley in 1959-60 amounted to 108 million bushels as compared with 112 million bushels in the previous

crop year. Domestic utilization amounted to 44.5 million bushels, while exports of whole barley were 57.7 million bushels and exports of barley products amounted to a further 6.1 million bushels. During the crop year there was a moderate increase in the domestic use of barley but this increase was not sufficient to offset a decline of 6.7 million bushels in exports.

There was a steady movement of barley into export channels throughout the crop year, and again overseas clearances were heavily concentrated at Pacific coast ports. Pacific coast shipments amounted to 31.9 million bushels as compared with 5 million bushels from St. Lawrence and Atlantic seaboard ports, and 7.2 million bushels cleared for overseas destinations from the Lakehead.

The following table shows exports of barley in 1959-60, along with comparative statistics for the previous crop year:

	1959-60	1958-59
	(million bushels)	
United Kingdom.....	30.1	41.5
United States.....	13.5	10.2
Poland.....	5.3	4.3
Germany.....	4.2	.3
The Netherlands.....	1.3	.8
Switzerland.....	.8	.6
Syria.....	.7	—
Kuwait.....	.5	—
Denmark.....	.4	—
Belgium.....	.4	.5
Italy.....	.3	.1
Peru.....	.2	—
Japan.....	—	5.7
Others.....	—	.4
	57.7	64.4
Barley products.....	6.1	6.1
TOTAL.....	63.8	70.5

As shown in the preceding table exports of whole barley amounted to 57.7 million bushels as compared with 64.4 million bushels in the previous crop year. The United Kingdom continued to provide the largest market for barley in spite of a decrease in exports to the United Kingdom in 1959-60. Exports to the United States, Poland, Germany, The Netherlands and Switzerland increased as compared with the previous crop year. The middle east provided new, small markets in 1959-60, and small shipments were also made to Italy and Peru. For the first time in ten years Japan did not import Canadian barley.

Exports of barley products amounted to 6.1 million bushels in both 1959-60 and 1958-59.

The following table shows the monthly average board asking prices for No. 1 feed barley, along with high and low prices recorded each month from August 1, 1959 to July 31, 1960 (all prices basis in store Fort William/Port Arthur):

	High	Low	Average
	(cents per bushel)		
August, 1959.....	94 $\frac{3}{4}$	91	93 $\frac{3}{4}$
September.....	94 $\frac{3}{4}$	93 $\frac{1}{4}$	94
October.....	96 $\frac{3}{4}$	93 $\frac{3}{4}$	95 $\frac{1}{2}$
November.....	97 $\frac{1}{2}$	93 $\frac{1}{2}$	95 $\frac{1}{2}$
December.....	96 $\frac{1}{2}$	92 $\frac{1}{2}$	95 $\frac{1}{2}$
January, 1960.....	97 $\frac{1}{4}$	95 $\frac{3}{4}$	96 $\frac{1}{4}$
February.....	97 $\frac{1}{4}$	94	95 $\frac{1}{2}$
March.....	96 $\frac{1}{2}$	93	95 $\frac{1}{2}$
April.....	97	95 $\frac{3}{4}$	96 $\frac{1}{2}$
May.....	100 $\frac{1}{2}$	96 $\frac{3}{4}$	98 $\frac{1}{2}$
June.....	99 $\frac{3}{4}$	95 $\frac{3}{4}$	98 $\frac{1}{2}$
July.....	97 $\frac{1}{4}$	96	96 $\frac{1}{4}$

Board asking prices for No. 1 feed barley fluctuated with narrow limits in 1959-60. The range was from 91 cents per bushel to \$1.00½ per bushel. Prices strengthened moderately during the first half of the crop year, declined slightly in February and March, strengthened during the April-June period and declined in the final month of the crop year. The average of board asking prices for No. 1 feed barley for the crop year 1959-60 was 96 cents per bushel as compared with 96¼ cents per bushel for the previous crop year.

The utilization of barley in the domestic market and for export exceeded the quantity of barley delivered by producers under delivery quotas established during the crop year. As a result there was a reduction in year-end commercial stocks from 71.2 million bushels on July 31, 1959 to 58.5 million bushels on July 31, 1960. There was a small increase in the farm carryover of barley on July 31, 1960 as compared with the previous year.

The international barley market was extremely competitive in 1959-60. Competition not only came from other exporting countries such as the United States, Australia and Argentina, but from alternative feedstuffs such as corn and sorghums. There was evidence in the latter part of the crop year that a period of more intense competition in the international market had commenced.

MR. KORCHINSKI: Could you give us an indication why Japan suddenly stopped its purchase of barley?

MR. McNAMARA: The previous purchase of Canadian barley by the Japanese was for human consumption as processed barley. It was a substitute for rice. But the production of rice in Japan has increased since then. There are now ample supplies of rice available, and Japan has discontinued the use of processed barley as a substitute for rice.

MR. KORCHINSKI: In other words, there will no longer be a market for barley in Japan?

MR. McNAMARA: I would not say that. I would say that it is not likely there would be a market for processed barley in Japan. But I think that as the Japanese economy grows, as they start producing more livestock, they will again develop a feeding market for barley in Japan. We are hoping this will be the case.

MR. KORCHINSKI: What is the over-all picture with regard to the prospects of selling barley, since it appears there is going to be competition from other grains such as corn?

MR. McNAMARA: I would say the outlook for export of Canadian barley—I include oats in my statement—is far from favourable. There is no doubt in my mind—take Europe, for example—that in the common market the announced policies of these various governments to increase production at home is going to affect materially the importation of feeding grains. In the case of wheat, we have a quality that cannot be matched by any other producing country in the world. But this is not true in the case of our barley. Many barleys produced in Europe are barleys superior in quality to Canadian barley. I am afraid that unless this market that has recently developed in China can be expanded, we are going to be confronted with a difficult problem in so far as export Canadian barley for feeding purposes overseas is concerned.

MR. KORCHINSKI: Why is European barley superior to ours?

MR. McNAMARA: I think that possibly in Canada our plant breeders have been paying too much attention to produce a malting type of barley, to take advantage of the limited market for such barley at attractive prices in the

United States. I would also suggest that some of the farming methods that some of you people adopt when you are using barley as a clean-up crop and producing almost as much wild oats in the barley as you do barley—which is not the case in Europe—is also a factor. You are making our barley unpopular.

Mr. MUIR (*Lisgar*): You must be talking about Saskatchewan and Alberta.

Mr. HORNER (*Acadia*): Not Alberta.

My question is about shipments through the St. Lawrence to the Atlantic ports. I see that 7.3 million bushels were cleared for overseas destination from the lakehead. This compares with about 12 million bushels of wheat. Why would there be a greater percentage of barley moving directly from the lakehead? Is it because it is a lighter and bulkier load?

Mr. McNAMARA: There has been a demand, particularly in the United Kingdom, for barley for distilling purposes. They like our six-row barley for this purpose. But unfortunately, six-row barley, as you know, peels quite readily, and if it is handled through various terminal facilities it tends to lose grade. Traders have experienced a lot of difficulty in having that barley transferred first by canaller to Montreal and then reshipping it. In an effort to preserve the quality of the barley, they have been concentrating on trying to move it with the least possible amount of handling. This accounted to quite a large degree for the larger than normal movement of barley out of Fort William.

Mr. HORNER (*Acadia*): Did this cut down on the peeling and cracking of the barley, moving it just once?

Mr. McNAMARA: Yes. Every time you handle barley the percentage of peeling increases. We found considerable difficulty in having barley shipped from Fort William. It was graded No. 3 C.W. By the time it got to Montreal it lost grade considerably.

Mr. SOUTHAM: My question was put by Mr. Korchinski. It related to the problem of Japan dropping out of the market. It has been answered very adequately by Mr. McNamara.

Mr. NASSERDEN: On this question of barley grades going out of the country, has Churchill been used to any extent, and is there any possibility of developing movement of barley through Churchill?

Mr. McNAMARA: No. Barley has never been shipped out of Churchill, and there does not seem to have been any interest in shipping barley out of Churchill. The European demand for Canadian barley quite largely revolves around importation in the United Kingdom for distilling purposes. They have taken quite a lot of barley from the west coast, where it could be shipped with a minimum of handling. To my knowledge there has been no inquiry for barley out of Churchill.

Mr. RIDDEL: In connection with barley, the market in the United Kingdom usually develops in the spring after they have cleaned up their stock of home grown barley. They have an agreement whereby they will use as much of the home grown barley as possible, and it is only after that period that they go into the market and buy Canadian barley, if they do buy at all. Therefore, the shipping period from Churchill does not fit in with the shipping period when they require to import stocks from Canada.

Mr. EARL:

10. *Payment Division*

The following table shows the major payments completed during the crop year 1959-60:

	Date First Cheques Mailed	Date Completed	Number of Cheques Issued	Total Value of Cheques Issued
1958-59 Pool Account—Wheat:				
Interim Payment.....	Feb. 22, 1960	Mar. 11, 1960	274,283	\$36,699,415.19
Final Payment.....	June 17, 1960	July 11, 1960	274,274	33,919,322.24
1958-59 Pool Account—Oats:				
Final Payment.....	Apr. 4, 1960	Apr. 13, 1960	63,467	3,153,318.57
1958-59 Pool Account—Barley:				
Final Payment.....	Apr. 14, 1960	Apr. 22, 1960	141,025	5,335,502.66
TOTAL.....			753,049	\$79,107,558.66

The Payment Department also issued 46 cheques (value \$4,195.86) applicable to the 1940, 1941, 1942, 1943 and 1944 Wheat Accounts; and 78 cheques (value \$14,920.72) covering Adjustment Payments and Final Payment applicable to the 1945-49 Pool Account—Wheat.

The Acting CHAIRMAN: Are there any questions? If there are not, we can turn to the next item.

Mr. EARL:

11. *Legal Department*

The Legal Department dealt with all matters of a legal nature affecting the operations of the Board.

The Department continued to assist the Payment Department in connection with payments to estates of deceased persons.

During the crop year 132 persons were prosecuted in connection with breaches of the Canadian Wheat Board Act and Regulations thereunder, as compared to 93 persons prosecuted during the 1958-59 crop year.

The Department also assisted the Advance Payments Department in the enforcement of the Prairie Grain Advance Payments Act and the collection of default accounts. For the first time prosecutions were conducted under the Prairie Grain Advance Payments Act, and five persons were prosecuted for breaches thereof.

Similarly, for the first time proceedings were taken in the Exchequer Court of Canada to recover monies outstanding under advances obtained pursuant to the Prairie Grain Advance Payments Act. In this connection 274 actions were commenced in the Exchequer Court of Canada. Of these actions, by the end of the crop year judgment had been obtained with respect to 74, and in 103 cases payment in full of the account had been received before judgment was obtained. Proceedings were still pending at the end of the crop year in relation to the balance of the Court actions which were commenced.

Mr. HORNER (*Acadia*): You say that during the crop year 132 persons were prosecuted. Can you give the committee some idea of the general trend, as to why these prosecutions were made. I do not want complete details, but it seems like a lot. What was the main cause?

Mr. MONK: Most of these prosecutions were for delivering in excess of the quota, delivering from land other than that named in the permit, and like infractions. The number of prosecutions tended to level out and

reduce in the last few years, particularly as producers are becoming more accustomed to this system and understand it. Some years ago we used to have more prosecutions than we have now.

Mr. NASSERDEN: What was the meaning of the five prosecutions under the Prairie Grain Advance Payments Act?

Mr. MONK: In regard to these five persons, I do not remember the details, but generally they made false declarations in order to get an advance, that is to say they said they had more grain than they had, or they said they had grain when they had not.

Mr. MILLIGAN: Were any of these prosecutions for deliveries to feed mills?

Mr. MONK: Yes, at least two were. We had two test cases with feed mills. I do not remember whether they were prosecutions of producers, or prosecutions of producers, or prosecutions of agents of feed mills.

Mr. HORNER (*Acadia*): In all cases, who receives the fine if there is a fine levied?

Mr. MONK: The fine goes through the normal channels, through the Department of Justice.

Mr. HORNER (*Acadia*): In other words, like a magistrate's fine?

Mr. MONK: That is so.

Mr. HORNER (*Acadia*): Why is it that this is so with the wheat board? In the case of the board of grain commissioners, they said in their report that in one prosecution there was a fine of \$100, and the Receiver General got it and they picked up the \$100.

Mr. MONK: This ordinarily goes to the Receiver General of Canada. It goes to the general fund of the Dominion. It does not go to the board.

Mr. HORNER (*Acadia*): It does not go to the board? I thought you said it went to the magistrate?

Mr. MONK: The court collects it and it is remitted under the provisions of the code to the Receiver General through the Department of Justice.

Mr. ROGERS: What is considered an infraction in regard to these deliveries over the quota? How many bushels are allowed?

Mr. MONK: We have a general policy that we do not prosecute for a trifling amount.

Mr. ROGERS: What is a trifling amount?

Mr. MONK: I do not remember any prosecutions offhand for less than 50 or 75 bushels. Most of them run considerably more than that. It is a matter of enforcement policy, actually. If you are in an area where you have a number of infractions, you may have to prosecute them all, even though some of them are small, since you do not want to be in a position where you can be accused of picking and choosing.

Mr. KORCHINSKI: I was wondering how you located these infractions, whether it is in the course of routine checks or whether they are brought to your attention by someone?

Mr. MONK: Most of them come to our attention through routine checks by our inspectors. There are occasions where we get information from other sources.

Mr. KORCHINSKI: How often do you make these routine checks? Are they spot checks or do you move everywhere?

Mr. MONK: We have a group of inspectors whose duty it is to examine the books of all elevators and they have regular routine calls which they make on each elevator in their district.

Mr. McNAMARA: I would like to make a point in connection with Mr. Monk's interpretation of "reasonable". I would not want the impression to be left in the country that we look with complacency on breaches of the quota regulations under 75 bushels. Actually, one bushel is a breach of the regulation, and while it is true that we try to be reasonable and sometimes pass up a small infraction, I would not want it to be made public that every producer can have 75 bushels over the regular amount.

Mr. KORCHINSKI: How would you spot, in the course of a routine check, whether a farmer had completed an incorrect form in obtaining his cash advance or not, if you just make a spot check on the elevator without seeing this form?

Mr. MONK: I was referring to quota infractions then. As far as advance payments are concerned, these come to our attention in various ways. The particular ones which I think were prosecuted here came to our attention because no payments were received in repayment of the advance, and we sent people out to check and they found that they never did have any grain.

Mr. KORCHINSKI: In no cases under the Prairie Grain Advance Payments Act do you make a check on the elevator man and then go over to see the farmer's grain?

Mr. MONK: Not as a routine matter. If we have anything which arouses our suspicion, we follow it down to find out what the story is.

Mr. FORBES: How many inspectors have you got on the roads for these routine checks, and so on?

Mr. McNAMARA: I make it 16, approximately.

Mr. FORBES: I think I could dodge one or two, but I could not dodge 16. That is for the three prairie provinces?

Mr. McNAMARA: Yes.

Mr. NASSERDEN: These 16 men perform other duties and are not just checking?

Mr. McNAMARA: That is so.

Mr. MUIR (*Lisgar*): I wonder if you have had any trouble with your treated grain, that is, grain which has been treated for seed?

Mr. McNAMARA: This has been under the notice of the board of grain commissioners. There have been some cases where the grain has been treated with cerasan. It is dealt with by the inspection department, and then it is condemned. We do not accept it. This is policed by the board of grain commissioners.

Mr. ROGERS: To go back to a question I started with first, you say the inspector or supervisor inspects the elevators. He finds these infractions, the producer having delivered over the quota. Does the producer get an opportunity to rectify the situation, or is it taken up?

Mr. MONK: No, the breach has usually occurred some time before we discover it, because it would be unlikely that it would occur within a day or two before our inspector got there. It happens often enough and usually the procedure is followed that we have a police report and it is followed in investigation, statements are taken and a decision is reached as to whether there will be a prosecution or not.

Mr. ROGERS: What about the elevator agent? Does he tell the producer he has delivered grain over his quota?

Mr. MONK: Usually both the producer and elevator agent are prosecuted—when there is an agent.

Mr. HORNER (*Acadia*): Mr. Rogers has covered my question. I was going to ask whether all these prosecutions were against farmers, or people other than farmers?

Mr. MONK: I would think that about 50 per cent are against producers and 50 per cent against elevator agents.

Mr. HORNER (*Acadia*): That brings it down to roughly 66 farmers out of 230,000. That suggests that farmers are relatively honest.

Mr. McNAMARA: I think this point is very well taken. In view of the facts that there are 235,000 farmers, I must say it is a proud record, and the adherence to the quota and permit regulations is basically sound. This is true also in regard to the cash advances. I think that in the record of collections, no financial organization in Canada has ever had repayments such as we have experienced in this advanced cash legislation. It is a real credit to the integrity of the western producers. There are always one or two bad apples, but the position is generally sound. Of the 17 inspectors, we have five operating in Manitoba, six in Saskatchewan and six in Alberta.

Mr. FORBES: Do these fellows wear uniforms, or how can you identify one of them?

Mr. McNAMARA: We give them a new disguise every week.

The ACTING CHAIRMAN: We can turn to the next item.

Mr. EARL:

12. Staff and Officers

The following table shows the number of employees of the Board as at July 31, 1960 and July 31, 1959:

	July 31 1960	July 31 1959
Winnipeg	651	681
Calgary	30	30
Vancouver	17	17
Montreal	4	4
London, England	4	3
Rotterdam, Netherlands	2	2
Total	708	737

On July 31, 1960 the Board had 708 employees as compared with 737 on July 31, 1959.

Effective September 1, 1960, J. W. Snell, Assistant to the European Manager in London, was appointed as Assistant to the European Representative in Rotterdam. D. D. Yates, Assistant Sales Manager (Wheat), was appointed Assistant to the European Manager in London. C. A. Gusberti, Assistant Sales Manager (Coarse Grains), was appointed Assistant Manager (Sales), Vancouver Office. Pursuant to the decision of the Board to open an office in Tokyo, Japan, A. W. Cordon, formerly Executive Assistant (Sales), was appointed Far Eastern Representative of the Board, with headquarters in Tokyo. C. E. G. Earl, Comptroller of the Board, was appointed Comptroller-Secretary. D. H. Treleaven, Secretary of the Board, was appointed Executive Assistant. The latter three appointments were effective October 1, 1960.

13. Advisory Committee

Two meetings of the Advisory Committee were held during 1959-60.

The members of the Advisory Committee are: Mr. J. H. Wesson, Regina, Saskatchewan; Mr. J. E. Brownlee, Q.C., Winnipeg, Manitoba; Dr. W. J. Parker, Winnipeg, Manitoba; Mr. A. P. Gleave, Biggar, Saskatchewan; Mr. G. L. Harrold, Lamont, Alberta, and Mr. A. W. Platt, Edmonton, Alberta.

Mr. MUIR (*Lisgar*): I would like to ask Mr. Monk a question. His class-mate would like to know how large the legal staff is? I think he wants a job.

Mr. MONK: The legal staff in Winnipeg consists of myself and Mr. Robert Law. The prosecutions to which he is referring are handled by agents appointed by the Department of Justice in the country.

Mr. MUIR (*Lisgar*): I wonder if he considers ex M.P.'s as good legal material.

Mr. MONK: I am afraid I have nothing to say about the appointments of agents.

Mr. HORNER (*Acadia*): I notice you have quite a few foreign offices. Has this been enlarged recently?

Mr. McNAMARA: Yes, we supplemented the staff at the Rotterdam office by bringing in another representative, Mr. Snell, who was transferred from London. This was to enable him to cover, also, Belgium and Holland. They are doing more extensive travelling in Belgium and Switzerland. Mr. Yates has been taken from London to assist Mr. Lawrie, the European manager. In addition to this we have made some changes in the Vancouver setup. We are trying to bring some younger men along and give them experience outside of Winnipeg. As reported here, we have opened an office in Tokyo during the crop year, and that office is beginning to function. We have taken over most of the liaison work with the food agency in Japan.

Mr. MANDZIUK: What are the duties or functions of the advisory committee? You say it met twice in the year.

Mr. McNAMARA: These people, as you notice, are all connected with farm organizations in western Canada. They are close to the production field and on occasion we follow them up. They are set out under our act, and we get the benefit of their advice.

Mr. MANDZIUK: What do they advise you on?

Mr. McNAMARA: Oh, on a range of subjects. I would say that their advice is most beneficial on problems relating to operations in the country, such as production problems. I think we ourselves have had more experience in the sales field than they have, but they have much more knowledge of production problems in western Canada, and problems relating to quotas, and on things like that they are of considerable value to us.

Mr. BOULANGER (*Translation*): For how long are these officers appointed?

Mr. McNAMARA: You mean the advisory committee?

Mr. BOULANGER (*Translation*): Yes.

Mr. McNAMARA: At the pleasure of the crown.

Mr. BOULANGER (*Translation*): For how many years?

Mr. McNAMARA: There is no period set.

Mr. BOULANGER (*Translation*): Do you feel you should have an eastern representative on that committee?

Mr. McNAMARA: I think it would be very advisable if we had an eastern consumer representative and we have made such a recommendation

to our minister. I understand that it is under active consideration at the present time.

The ACTING CHAIRMAN: Shall we not take the rest that comes under part II as read?

Mr. HORNER (*Acadia*): I have one question with regard to this wheat problem. There has been a lot of talk recently around Ottawa that the price of bread is going to go up because of the recent price increase in wheat, and because of the devaluation of the dollar.

Mr. McNAMARA: Yes.

Mr. HORNER (*Acadia*): Would you seriously suggest that there is any real reason to increase the price of bread?

Mr. McNAMARA: No, but I am glad you asked this question because I think the facts of the situation should be made public. Certainly an increase in the price of bread that is being suggested by the bakeries—I do not think it could be related to the recent increase in the cost of the price of wheat. But we happen to have some figures prepared in that regard, and I would like it if Mr. Riddel could deal with this particular matter.

Mr. RIDDEL: Mr. Chairman, I have some figures and a statement I would like to give to the committee.

The quantity of wheat required to produce 100 lbs. of bakers' grade flour is subject to some variation from mill to mill and from one period to another. On the average it is probably a little less than 2.3 bus. but in order to be sure that we do not minimize the effect of an increase in wheat price, let us take that figure. On that basis an increase in wheat cost of 5 cents per bushel means an increase in the cost of bakers' grade flour of 5×2.3 or 11.5 cents per cwt.

This assumes that the full effect of the increased wheat cost is borne by the flour. To produce 100 lbs. of flour, a mill will simultaneously produce about $2.3 \times 60 = 138$ lbs. of by-products. If the selling price of the by-products rises as a result of the rise in the cost of wheat, then it would be unnecessary to raise the price of flour by quite as much as 11.5 cents per cwt.

We can say, therefore, that the increase in the cost of flour justified by an increase of 5 cents per bushel in the cost of wheat, could not exceed 11.5 cents per cwt.

The yield of bread from 100 lbs. of flour also varies from shop to shop. It is generally higher in large shops than in small ones, mainly because, with their equipment, the larger shops are able to incorporate more water in their doughs. But there are other factors, such as a greater efficiency in controlling losses, which also play a part.

It may be taken as certain that the large shops, in which most Canadian bread is baked, obtain not less than 150 lbs. of bread from 100 lbs. of flour. It is probably rather more than that. In small shops it might drop as low as 145 lbs. Even if we take a yield of 145 lbs., an increase in the cost of flour of 11.5 cents per cwt. would work out to an increase in the cost of bread of only 0.08 cents per lb. loaf. A rise in the cost of wheat of 5 cents per bushel could not, therefore, be held responsible for an increase of more than 0.08 cents per lb. of bread, or about $1/12$ th of a cent per loaf.

Mr. MANDZIUK: I think the committee would be interested to hear from the board as to their experience to date with controls, or with respect to the sales to feed mills. As you know, there is still considerable interest in this, and how it affects the wheat board set-up. What does your experience so far show?

Mr. McNAMARA: Mr. Chairman, this matter is dealt within our supplementary report, and I would like to suggest that we do not postpone this

discussion any longer, although the supplementary report does start off dealing with wheat. However, I suggest that we deal with oats and barley in the supplementary report, which will bring up this question of feed mills, and later the situation of feed mills in western Canada; it will bring this question before the committee, and then we can go back and discuss wheat.

The ACTING CHAIRMAN: Shall part II be accepted as read?

Agreed.

PART II

FINANCIAL STATEMENTS

The financial statements of The Canadian Wheat Board for the crop year ended July 31, 1960 are presented in this section of the Report. They consist of a Consolidated Balance Sheet (Exhibit I) which sets forth the financial position of the Board as at the foregoing date, together with other statements showing the results of Board operations to the close of the crop year, all as tabulated in the index preceding the financial statements and as discussed in Part I of this Report.

Due to the large volume of grain remaining unsold in the 1959-60 Pool Accounts for wheat, oats and barley, it was decided that it would be advisable to defer the closing of these accounts and hence none of these accounts have been finalized as at the date of this Report.

CONSOLIDATED BALANCE SHEET

The consolidated financial position of The Canadian Wheat Board as at July 31, 1960 is set forth in Exhibit I. With respect to some of the items appearing in the Consolidated Balance Sheet the following comments are submitted.

Stocks of Grain—\$695,105.13

WHEAT STOCKS—\$641,465,397.95

As at July 31, 1960 the total stocks of wheat held by the Board amounted to 462,585,424.9 bushels. Of this amount 61,709,070.2 bushels had been sold at established prices, but were undelivered at the year-end date. These stocks have been valued at contract prices and provision has been made for carrying charges to date of delivery. The remaining inventory of wheat amounting to 400,876,354.7 bushels consists of the following:

Balance of stocks transferred from the 1958-59 Pool Account.....		61,885,358.5
Balance of purchases from producers on the 1959-60 Pool Account:		
Unsold stocks	338,585,565.9	
Stocks which have been sold, but on a deferred price basis.....	84,681.3	
	<u>338,670,247.2</u>	
Net bushels acquired from the adjust- ments of overages and shortages, etc., at country and terminal ele- vators on the 1959-60 Pool Account	2,241,272.9	
	<u>340,911,520.1</u>	
Less: Weight losses in transit and in drying	1,920,523.9	338,990,996.2
		<u>400,876,354.7</u>

These stocks were in store country elevators, in store terminal elevators and mills, in transit and in the custody of Agents. In accordance with accepted accounting practice and consistent with the procedure followed in previous crop years this portion of the inventory has been valued at cost. With respect to the balance of stocks of 61,885,358.5 bushels transferred from the 1958-59 Pool Account as at May 20, 1960 and which were still on hand as at July 31, 1960, cost is the price at which the transfer of unsold stocks from the 1958-59 Pool Account was made as at the close of business May 20, 1960. Relevant to the item in the inventory of 338,990,996.2 bushels which includes 84,681.3 bushels which had been sold, but on a deferred price basis, cost is the Board's initial price paid to producers for the 1959-60 Crop Year which was \$1.40 per bushel basis No. 1 Manitoba Northern Wheat in store Fort William/Port Arthur or Vancouver.

Stocks in the custody of Agents represent wheat provisionally invoiced to those Agents of the Board who are shippers and exporters, and for which the Board will receive a final accounting in respect to the ultimate disposition of these stocks. The Board receives an advance from these Agents for wheat invoiced on a provisional price basis and, as at July 31, 1960, this advance was \$1.40 per bushel basis No. 1 Manitoba Northern Wheat in store Fort William/Port Arthur or Vancouver. With respect to stocks invoiced on a provisional price basis to mills this advance was \$1.60 per bushel basis No. 1 Manitoba Northern Wheat in store Fort William/Port Arthur or Vancouver. As at July 31, 1960, advances received by the Board from those Agents of the Board who are shippers and exporters totalled \$132,149,616.31 as shown in Exhibit I.

OATS AND BARLEY STOCKS—\$53,639,967.18

Stocks of oats and barley held by the Board as at July 31, 1960 and which were in store country and terminal elevators and in transit amounted to 16,607,864.9 bushels and 50,455,891.0 bushels respectively. Of these amounts 804,356.8 bushels of oats and 3,317,677.3 bushels of barley had been sold at established prices, but were undelivered at the year-end date. These stocks have been valued at contract prices and provision has been made for carrying charges to date of delivery. The balance of the coarse grain inventories amounting to 15,803,508.1 bushels of oats and 47,138,213.7 bushels of barley was comprised of the following:

	Oats	Barley
Balance of purchases from producers on the 1959-60 Pool Account	15,793,844.0	47,326,650.4
Stocks acquired from other than producers	40,019.0	1,442.6
	<hr/> 15,833,863.0	<hr/> 47,328,093.0
Less: Weight losses in drying	30,354.9	189,879.3
	<hr/> 15,803,508.1	<hr/> 47,138,213.7

In accordance with accepted accounting practice and consistent with the procedure followed in previous crop years these portions of the inventories of oats and barley have been valued at cost. Cost is the Board's initial price paid to producers for oats and barley in the 1959-60 Crop Year. For oats this price was 60 cents per bushel basis No. 2 Canada Western Oats in store Fort William/Port Arthur and for barley 96 cents per bushel basis No. 3 Canada Western Six-Row Barley in store Fort William/Port Arthur.

Accounts Receivable—\$846,563.33

This item consists principally of amounts due from Agents of the Board in respect to sales which had been completed as at July 31, 1960, but for which final accountings were not received until subsequent to that date. The balance of this amount comprises sundry accounts payable to the Board which were not collected until subsequent to the year-end date.

Grain Trade Memberships—\$19,793.52

The Canadian Wheat Board owns ten memberships in the Winnipeg Grain Exchange, two in the Vancouver Grain Exchange, one in the Winnipeg Grain and Produce Exchange Clearing Association Limited and one in the Lake Shippers' Clearance Association. These memberships are stated at cost less recorded dividends to July 31, 1960.

The Canadian Wheat Board Building, at cost less depreciation—\$340,800.00

Under the authority of Order in Council P.C. 146/2800 the Board purchased The Canadian Wheat Board Building on August 31, 1946 at a cost of \$450,00.00 for the land and buildings.

In accordance with instructions received from the Government of Canada the Board paid to the City of Winnipeg and the City of Calgary grants of \$34,620.99 and \$834.57 respectively, in lieu of realty and business taxes on The Canadian Wheat Board Building and on premises rented by the Board in the City of Winnipeg and in lieu of business taxes on premises rented by the Board in the City of Calgary, but without admitting any liability for such taxes. These grants totalled \$35,455.56 and of this amount \$20,689.75 has been applied to Board operations for the period from January 1, 1960 to July 31, 1960. The balance of \$14,765.81 has been deferred and will be charged to the operations of the Board for the 1960-61 Crop Year. This latter figure is included in the item of \$18,115.59 as shown in the Consolidated Balance Sheet. Depreciation has been provided on The Canadian Wheat Board Building for the year ended July 31, 1960 at the rate of 2 per cent per annum amounting to \$7,800.00. The amounts for depreciation and taxes \$7,800.00 and \$20,689.75 are included in the item of \$232,954.43 as shown in Exhibit VII.

Order in Council P.C. 1960-1343, dated September 29, 1960 authorized The Canadian Wheat Board to purchase from Glenlawn Investments Limited the land and premises commonly known as 189 McDermot Avenue in the City of Winnipeg in the Province of Manitoba. This property was acquired on October 31, 1960.

Under the terms of the same Order approval was given to demolish the buildings located on the above land, and on the land commonly described as 407 Main Street, Winnipeg, and to construct in substitution therefor a new building.

Bank Loans—\$125,809,927.66

During the crop year under review payments were made to producers involving a cash distribution of \$79,107,558.66 consisting of the following:

INTERIM PAYMENT

1958-59 Pool Account—Wheat	\$36,699,415.19
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FINAL PAYMENTS

1958-59 Pool Account—Wheat	\$33,919,322.24	
1958-59 Pool Account—Oats	3,153,318.57	
1958-59 Pool Account—Barley	5,335,502.66	42,408,143.47
		<u>\$79,107,558.66</u>

At the commencement of the crop year Board borrowings from the Chartered Banks amounted to \$110,984,281.02 and during the 1959-60 Crop Year the Board's cash requirements remained at a high level in order to carry abnormally large stocks of wheat, oats and barley, to distribute payments to producers and to meet current operating expenses. Consequently, the Board remained in a borrowing position with the Chartered Banks throughout the whole of the 1959-60 Crop Year. Board borrowings from the Chartered Banks reached a maximum of \$133,128,354.12 on July 22, 1960, but had declined to \$125,809,927.66 as at July 31, 1960. Throughout the crop year the interest rate in effect on these borrowings continued at $5\frac{1}{4}$ per cent per annum notwithstanding efforts on the part of the Board to secure a lower rate.

Liability to Agents—\$426,388,445.70

Grain Companies acting in the capacity of Agents of the Board accept deliveries from producers at country elevators on behalf of the Board pay the producers basis the Board's initial price in effect. Settlement is not made by the Board for these purchases until delivery to the Board is completed by its Agents at terminal or mill positions. Liability to Agents amounting to \$426,388,445.70 represents the amount payable by the Board to its Agents for purchases of wheat, oats and barley from producers at country elevator points to July 31, 1960 for which delivery to and settlement by the Board will be completed subsequent to the year-end date.

Amounts Due to Producers

ADJUSTMENT PAYMENTS

There were no adjustment payments authorized on the 1959-60 Pool Accounts for wheat, oats and barley, but in respect to adjustment payments which had been authorized on previous pool accounts there was still outstanding as at July 31, 1960 the sum of \$5,170.21 consisting of the following:

		Outstanding Cheques			
		Wheat	Oats	Barley	Total
1954-55 Pool Account ..	\$ —	\$1,233.35	\$1,468.32	\$2,701.67	
1952-53 Pool Account ..	1,499.74	—	968.80	2,468.54	
	\$1,499.74	\$1,233.35	\$2,437.12	\$5,170.21	

During the period from August 1, 1960 to December 31, 1960, the Board paid \$26.31 in respect to the above liability of \$5,170.21.

INTERIM PAYMENTS

In the crop year under review an interim payment was authorized on the 1958-59 Pool Account for wheat in accordance with the provisions of Section 26(3) of the Canadian Wheat Board Act and Order in Council P.C. 1960-176, February 12, 1960. The payment applied to deliveries of wheat by producers on the 1958-59 Pool Account in the period from August 1, 1958 to July 31, 1959 and amounted to \$36,699,415.19. As at July 31, 1960 there was still outstanding the sum of \$364,752.98 in respect to this and other interim payments

and this amount consisted entirely of cheques in the hands of producers which had not been presented to the Board for payment. The detail of the amount outstanding is as follows:

	Outstanding Cheques
1958-59 Pool Account	\$300,109.52
1957-58 Pool Account	33,862.75
1956-57 Pool Account	8,855.19
1955-56 Pool Account	6,668.79
1954-55 Pool Account	4,167.11
1953-54 Pool Account	5,966.68
1952-53 Pool Account	5,122.94
	<hr/>
	\$364,752.98

During the period from August 1, 1960 to December 31, 1960 the Board paid \$245,422.44 in respect to the above liability of \$364,752.98.

FINAL PAYMENTS

Amounts due to producers on outstanding cheques with respect to final payments are as follows:

	Outstanding Cheques			
	Wheat	Oats	Barley	Total
1958-59 Pool Account ..	\$4,952,252.25	\$43,365.86	\$ 89,836.61	\$5,085,454.72
1957-58 Pool Account ..	48,085.10	4,422.67	9,313.10	61,820.87
1956-57 Pool Account ..	8,274.16	—	2,375.07	10,649.23
1955-56 Pool Account ..	8,578.44	1,359.01	2,287.82	12,225.27
1954-55 Pool Account ..	9,280.76	1,239.38	1,934.95	12,455.09
1953-54 Pool Account ..	6,791.20	2,061.60	2,009.38	10,862.18
1952-53 Pool Account ..	4,504.32	1,379.54	4,659.93	10,543.79
	<hr/>	<hr/>	<hr/>	<hr/>
	\$5,037,766.23	\$53,828.06	\$112,416.86	\$5,204,011.15
	<hr/>	<hr/>	<hr/>	<hr/>

During the period from August 1, 1960 to December 31, 1960 the Board paid \$4,848,852.25 in respect to the above liability of \$5,204,011.15.

Accrued Expenses and Accounts Payable—\$13,694,411.93

This item comprises in the main accrued carrying charges, storage and interest charges to July 31, 1960 together with sundry accounts which were unpaid as at the year-end date.

Special Account—Net Balance of Undistributed Payment Accounts—\$963,266.73

In accordance with the provisions of Section 29A of the Canadian Wheat Board Act the Board was authorized with the approval of the Governor in Council to transfer to a Special Account the balance remaining in specific payment accounts and to use these funds for such purposes as the Governor in

Council upon the recommendation of the Board considers to be for the benefit of producers. The following summary sets forth the details of transactions affecting the Special Account for the crop year under review:

Balance of the Special Account as at July 31, 1959.....		\$ 524,088.22
<i>Add: Transfers to the Special Account under the authority of Section 29A of the Canadian Wheat Board Act and Order in Council P.C. 1960-1411, October 13, 1960:</i>		
1945-49 Pool Account—Wheat.....	\$ 1,182,614.42	
1950-51 Pool Account—Wheat.....	4,363.24	
1951-52 Pool Account—Wheat.....	74,747.85	
1949-50 Pool Account—Oats.....	34,449.37	
1950-51 Pool Account—Oats.....	(837.81)	
1951-52 Pool Account—Oats.....	7,718.98	
1949-50 Pool Account—Barley.....	36,701.36	
1950-51 Pool Account—Barley.....	4,097.95	
1951-52 Pool Account—Barley.....	697.03	1,344,552.39
		<hr/>
		1,868,640.61
<i>Less: Expenditures authorized under the provisions of Section 29A(2) of the Canadian Wheat Board Act and the following Orders in Council:</i>		
Order in Council P.C. 1958-1697, December 17, 1958		
Unexpended July 31, 1959.....	\$41,485.99	
Less: Unexpended July 31, 1960.....	16,641.07	
		<hr/>
		24,844.92
Order in Council P.C. 1958-1697, December 17, 1958		
Unexpended July 31, 1959.....	23,695.18	
Less: Unexpended July 31, 1960.....	14,424.80	
		<hr/>
		9,270.38
Order in Council P.C. 1959-413, April 3, 1959		
Total authorization.....	35,000.00	
Less: Unexpended July 31, 1960.....	3,741.42	
		<hr/>
		31,258.58
Order in Council P.C. 1960-519, April 19, 1960		
Total authorization.....	775,000.00	
Less: Unexpended July 31, 1960.....	Nil	
		<hr/>
		775,000.00
Order in Council P.C. 1960-836, June 17, 1960		
Total authorization.....	60,000.00	
Less: Unexpended July 31, 1960.....	Nil	
		<hr/>
		60,000.00
Order in Council P.C. 1960-837, June 17, 1960		
Total authorization.....	5,000.00	
Less: Unexpended July 31, 1960.....	Nil	
		<hr/>
		5,000.00
Order in Council P.C. 1960-1008, July 21, 1960		
Total authorization.....	250,000.00	
Less: Unexpended July 31, 1960.....	250,000.00	
		<hr/>
		905,373.88
Balance of the Special Account as at July 31, 1960.....		<hr/>
		\$ 963,263.73*

* As at July 31, 1960, there were unexpended authorizations totalling \$284,807.29 leaving a balance of \$678,459.44 available in the account.

Advance Payments to Producers

During the crop year 1957-58 the Government of Canada passed the Prairie Grain Advance Payments Act which came into force on November 25, 1957. Under the terms of the legislation the Board was authorized to make

Advance Payments to producers on farm stored wheat, oats and barley at the rate of 50 cents per bushel for wheat, 20 cents per bushel for oats and 35 cents per bushel for barley subject to a limitation of the deliverable quantity of grain and to a maximum amount of \$3,000.00 for each applicant and to recover Advance Payments so made by deduction from the value of wheat, oats or barley delivered by producers subsequent to the date of receiving an Advance Payment.

For the purpose of making Advance Payments to producers the Board was authorized to borrow money from the Chartered Banks, such borrowings and the interest thereon to be guaranteed by the Government of Canada. The result of transactions in respect to Advance Payments to producers for the period from November 25, 1957 to July 31, 1960 is set forth in Part IV of this Report. As at the year-end date there was an amount of \$2,745,263.00 still to be refunded by producers in respect to Advance Payments, but during the period from August 1, 1960 to December 31, 1960 refunds totalling \$2,275,248.00 were received by the Board, leaving a balance still to be refunded in the amount of \$470,015.00. Interest charges on bank borrowings under the Prairie Grain Advance Payments Act to July 31, 1960 amounted to \$1,807,254.58. Of this amount the Government of Canada had remitted to the Board as at the year-end date \$1,789,853.18 in accordance with the provisions of Section 15A of the Prairie Grain Advance Payments Act. The balance of \$17,401.40 together with any bank interest charges incurred subsequent to July 31, 1960 will also be paid to the Board by the Government of Canada in accordance with the legislation.

Provisional Payments to Producers

During the year under review the Government of Canada passed the Prairie Grain Provisional Payments Act which came into force on February 1, 1960. Under the terms of the legislation the Board was authorized to make Provisional Payments to producers for the 1959-60 Crop Year in respect of unthreshed wheat, oats and barley at the rate of 50 cents per bushel for wheat, 20 cents per bushel for oats and 35 cents per bushel for barley. Each Provisional Payment was subject to a limitation of the deliverable quantity of grain and to a maximum amount of \$1,500.00 with a further stipulation that the aggregate of a Provisional Payment to a producer and the Advance Payment made to him in respect of the 1959-60 Crop Year under the Prairie Grain Advance Payments Act shall not exceed \$3,000.00.

For the purpose of making Provisional Payments to producers the Board was authorized to borrow money from the Chartered Banks, such borrowings and the interest thereon to be guaranteed by the Government of Canada. The result of transactions in respect of Provisional Payments for the period from February 1, 1960 to July 31, 1960 is set forth in Part V of this Report. Total advances under this legislation amounted to \$1,025,839.00 and as at the year-end date there was an amount of \$291,211.00 still to be refunded in respect to Provisional Payments. During the period from August 1, 1960 to December 31, 1960 refunds totalling \$227,842.00 were received by the Board, leaving a balance still to be refunded in the amount of \$63,369.00. Interest charges on bank borrowings to July 31, 1960 under the Prairie Grain Provisional Payments Act amounted to \$16,554.14. Of this amount the Government of Canada had remitted to the Board at the year-end date \$14,987.56 and the balance \$1,566.58 together with any bank interest charges incurred subsequent to July 31, 1960 will also be paid to the Board by the Government of Canada in accordance with Section 13A of the Prairie Grain Provisional Payments Act.

STATEMENTS OF OPERATIONS

Wheat Division—1959-60 Pool Account—Exhibit II

As at July 31, 1960 stocks of wheat remaining unsold in the 1959-60 Pool Account and stocks of wheat which had been sold, but on a deferred price basis, amounted to 400,876,354.7 bushels.

In accordance with accepted accounting practice and consistent with the basis of valuation adopted for previous fiscal years this inventory for purposes of the Board's accounts as at July 31, 1960 has been valued at cost. Included in the inventory figure of 400,876,354.7 bushels is an amount of 61,885,358.5 bushels which was the balance of the stocks transferred from the 1958-59 Pool Account as at May 20, 1960 and which were still on hand as at July 31, 1960. In respect to this item in the inventory cost is the price at which the transfer from the 1958-59 Pool Account was made as at the close of business May 20, 1960. Relevant to the balance of the inventory amounting to 338,990,996.2 bushels cost is the initial price paid to producers in the 1959-60 Crop Year which was \$1.40 per bushel basis No. 1 Manitoba Northern Wheat in store Fort William/Port Arthur or Vancouver.

Included in the operating results on the 1959-60 Pool Account to July 31, 1960 is an amount of \$11,193,301.42 representing a portion of the carrying charges received from the Government of Canada during the 1959-60 Crop Year under the provisions of the Temporary Wheat Reserves Act. The total carrying charges received under this legislation for the 1959-60 Crop Year amounted to \$43,604,072.28. The Board recommended and the Governor in Council approved by Order in Council P.C. 1960-835, June 17, 1960 that these carrying charges be allocated as follows:

1958-59 Pool Account—Wheat.....	\$32,410,770.86
1959-60 Pool Account—Wheat.....	11,193,301.42
	<hr/>
	\$43,604,072.28

During the 1960-61 Crop Year the Board will receive from the Government of Canada \$50,430,618.60 for carrying charges under the provisions of the Temporary Wheat Reserves Act and this amount will be allocated between the 1959-60 Pool Account for Wheat and the 1960-61 Pool Account for Wheat. At the date of this Report this allocation had not been determined.

In terms of the foregoing and on the basis of the valuation of the inventory, but without provisions for carrying costs, interest, administrative expenses, etc., beyond the close of the fiscal year the operations of the Board on the 1959-60 Pool Account—Wheat to July 31, 1960 showed a debit balance of \$10,899,712.08. This debit balance should not be viewed as the final result of marketing operations on the 1959-60 Pool Account—Wheat.

Oats and Barley Division—Exhibits III and IV

Under the authority of the Canadian Wheat Board Act and Order in Council P.C. 1959-788, June 22, 1959 the Board was authorized to purchase from producers during the 1959-60 Crop Year oats and barley produced in the designated area and to pay to producers a fixed initial price of 60 cents per bushel for No. 2 Canada Western Oats and a fixed initial price of 96 cents per bushel for No. 3 Canada Western Six-Row Barley, both prices basis in store Fort William/Port Arthur. As at July 31, 1960 stocks of oats and barley remaining unsold in the 1959-60 Pool Accounts amounted to 15,803,508.1 bushels and 47,138,213.7 bushels respectively.

In accordance with accepted accounting practice and consistent with the basis of valuation adopted for previous fiscal years these inventories for purposes of the Board's accounts as at July 31, 1960 have been valued at cost. Cost is the Board's initial price paid to producers for oats and barley in the 1959-60 Crop Year. With respect to oats this price was 60 cents per bushel basis No. 2 Canada Western Oats in store Fort William/Port Arthur and with respect to barley this price was 96 cents per bushel basis No. 3 Canada Western Six-Row Barley in store Fort William/Port Arthur.

On the basis of the valuation of the inventories, but without provisions for carrying costs, interest, administrative expenses, etc., beyond the close of the fiscal year the operations of the Board on the 1959-60 Pool Accounts for oats and barley to July 31, 1960 showed a credit balance on oats of \$376,910.43 and a credit balance on barley of \$1,388,306.88. These results should not be viewed as the final results of marketing operations on the 1959-60 Pool Accounts for oats and barley.

Schedule of Administrative and General Expenses—Exhibit VII

The total expenditures under this heading for the crop year under review amounted to \$3,264,509.78 comprising expenses applicable to the Board's offices at Winnipeg, Calgary, Vancouver, Montreal, London (England) and Rotterdam (Netherlands). Details of these expenditures and the allocations to Board operations are set forth in Exhibit VII.

The Report of the Board's Auditors for the year ended July 31, 1960 is contained in Part III of this Report. Part IV includes the Auditors' Report and Financial Statement in respect to the administration of the Prairie Grain Advance Payments Act. Part V includes the Auditors' Report and Financial Statement in respect to the administration of the Prairie Grain Provisional Payments Act.

In this Report and in the Financial Statements we have endeavoured to describe the administration of policy with respect to wheat, oats and barley for the year ended July 31, 1960.

In conclusion we would like to record our appreciation for the loyal and conscientious service rendered by the officers and staff of the Board.

All of which is respectfully submitted,

W. C. McNAMARA
Chief Commissioner

W. RIDDEL,
Assistant Chief Commissioner

W. E. ROBERTSON
Commissioner

J. T. DALLAS
Commissioner

THE CANADIAN WHEAT BOARD

INDEX TO FINANCIAL STATEMENTS

31st JULY 1960

- Exhibit I. Consolidated Balance Sheet.*
- Exhibit II. Statement of Operations, 1959-60 Pool Account—Wheat.*
- Exhibit III. Statement of Operations, 1959-60 Pool Account—Oats.*
- Exhibit IV. Statement of Operations, 1959-60 Pool Account—Barley.*
- Exhibit V. Statement of Payments to Producers.*
- Exhibit VI. Statement of Provisions for Final Payment Expenses.*
- Exhibit VII. Schedule of Administrative and General Expenses and Allocations to Operations for the year ended 31st July 1960.*

THE CANADIAN WHEAT BOARD

CONSOLIDATED BALANCE SHEET

As at 31st July 1960

ASSETS

Stocks of grain:		
Wheat stocks—stated at contract prices basis in store Fort William/Port Arthur, Vancouver or Churchill. . . .	\$ 100,813,098.19	
Wheat stocks—stated at cost prices in store Fort William/Port Arthur or Vancouver.	540,652,299.76	
Oats stocks—stated at contract prices basis in store Fort William/Port Arthur.	631,902.21	
Oats stocks—stated at cost prices basis in store Fort William/Port Arthur. . . .	8,637,274.73	
Barley stocks—stated at contract prices basis in store Fort William/Port Arthur.	3,275,547.39	
Barley stocks—stated at cost prices basis in store Fort William/Port Arthur.	41,095,242.85	
Accounts receivable.		
Memberships—In the Winnipeg and Vancouver Grain Ex- changes, the Winnipeg Grain and Produce Exchange Clear- ing Association Limited and the Lake Shippers' Clearance Association.		
The Canadian Wheat Board Building, Winnipeg, at cost less depreciation.		
Deferred and prepaid expenses.		
Office furniture, equipment and automobiles, at cost less depreciation.		
Debit balance—1959-60 Pool Account—Wheat.		

LIABILITIES

Bank Loans.....	\$ 125,809,927.66
Liability to Agents for grain purchased from Producers but not yet delivered to the Board.....	426,388,445.70
Advances received on Agency wheat stocks.....	132,149,616.31
Amounts due to Producers:	
Outstanding cheques:	
Balance of adjustment payments—	
Wheat.....	1,499.74
Coarse Grains.....	3,670.47
Balance of interim payments—	
Wheat.....	364,752.98
Balance of final payments—	
Wheat.....	5,037,766.23
Coarse Grains.....	166,244.92
	<hr/>
Accrued expenses and accounts payable.....	5,573,934.34
Provisions for final payment expenses.....	13,694,411.93
Special Account—net balance of undistributed payment accounts.....	998,924.89
Credit balance—1959-60 Pool Account—Oats.....	993,266.73
Credit balance—1959-60 Pool Account—Barley.....	376,910.43
	<hr/>
	\$ 707,343,744.87

THE CANADIAN WHEAT BOARD

1959-60 Pool Account—Wheat

STATEMENT OF OPERATIONS

For the crop year ended 31st July 1960

		Amount
Wheat acquired:		
Purchased from Producers at Board initial prices basis in store Fort William/Port Arthur or Vancouver.....	Bushels	\$ 480,080,891.82
Net bushels acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Fort William/Port Arthur or Vancouver.....		3,007,301.33
Purchased from 1958-59 Pool Account—Wheat.....		246,470,435.69
		<u>\$ 729,568,628.84</u>
Wheat sold:		
Completed sales at realized prices basis in store Fort William/Port Arthur or Vancouver:		
Domestic.....		12,442,818.6
Export sales at Class II prices.....		5,680,441.4
Export sales under the terms of the International Wheat Agreement.		45,546,274.5
Weight losses in transit and in drying.....		1,920,523.9
		<u>65,590,058.4</u>
Uncompleted sales at contract prices basis in store Fort William/Port Arthur or Vancouver or Churchill:		\$ 100,581,963.20
Domestic.....		16,879,522.6
Export sales at Class II prices.....		18,254,855.3
Export sales under the terms of the International Wheat Agreement.		26,574,692.3
		<u>61,709,070.2</u>
Stocks of wheat—stated at cost prices basis in store Fort William/Port Arthur or Vancouver.....		400,876,354.7
Surplus on wheat transactions.....		528,175,483.3
		<u>742,047,361.15</u>
Deduct: Carrying costs, interest, administrative and general expenses, etc:		12,478,732.31
Carrying charges:		
Carrying charges on wheat stored in country elevators.....		21,071,675.35
Storage on wheat stored in terminal elevators.....		5,374,972.09
Net interest paid to agents on agency wheat stocks.....		1,676,453.24
		<u>28,123,100.68</u>
Less: Carrying charges received under the Temporary Wheat Reserves Act.....		11,193,301.42
		<u>16,929,799.26</u>
Bank interest, exchange and bank charges less net interest recovered from other Board accounts.....		2,535,096.45
Net additional freight on wheat shipped from country stations to terminal positions.....		(79,245.04)
Handling, stop-off and diversion charges on wheat warehoused at interior terminals.....		262,316.32
Drying charges.....		2,425,626.05
Administrative and general expenses to 31st July 1960.....		1,304,851.35
		<u>23,378,444.39</u>
Debit balance in the 1959-60 Pool Account—Wheat, as at 31st July 1960, after valuing stocks of wheat on hand at cost prices basis in store Fort William/Port Arthur or Vancouver.....		\$ 10,899,712.08

THE CANADIAN WHEAT BOARD
1959-60 Pool Account—Oats

STATEMENT OF OPERATIONS

For the crop year ended 31st July 1960

	Bushels	Amount
Oats acquired:		
Purchased from Producers at Board initial prices basis in store Fort William/ Port Arthur.....	23,661,125.3	\$12,968,372.07
Oats otherwise purchased at Board initial prices basis in store Fort William/ Port Arthur.....	40,019.0	22,809.97
Purchased from 1958-59 Pool Account—Oats.....	5,311,435.8	3,862,789.80
	<u>29,012,580.1</u>	<u>\$16,854,471.84</u>
Oats sold:¹		
Completed sales at realized prices basis in store Fort William/Port Arthur....	12,374,360.3	9,457,195.21
Weight losses in drying.....	30,354.9	—
Uncompleted sales at contract prices basis in store Fort William/Port Arthur....	804,356.8	631,902.21
	<u>15,803,508.1</u>	<u>8,637,274.73</u>
Stocks of oats—stated at cost prices basis in store Fort William/Port Arthur.....	<u>29,012,580.1</u>	<u>18,726,372.15</u>
Surplus on oats transactions.....		<u>1,871,900.31</u>
Deduct: Carrying costs, interest, administrative and general expenses, etc:		
Carrying charges:		\$ 1,198,009.77
Carrying charges on oats stored in country elevators.....		132,164.00
Storage on oats stored in terminal elevators.....		<u>1,330,173.77</u>
Interest and bank charges.....		53,624.86
Freight recovered on shipments of oats to Vancouver for export.....		(8,241.99)
Drying charges.....		30,333.52
Brokerage and Clearing Association charges.....		2,118.51
Administrative and general expenses to 31st July 1960.....		<u>86,981.21</u>
		<u>1,494,989.88</u>
Credit balance in the 1959-60 Pool Account—Oats, as at 31st July 1960, after valuing stocks of oats on hand at cost prices basis in store Fort William/ Port Arthur.....		<u>\$ 376,910.43</u>

¹ Excluding open future sales contracts of 1,557,000 bushels of October oats adjusted to the market close as at 31st July 1960.

Exhibit IV

THE CANADIAN WHEAT BOARD

1959-60 Pool Account—Barley

STATEMENT OF OPERATIONS

For the crop year ended 31st July 1960

	Bushels	Amount
Barley acquired:		
Purchased from Producers at Board initial prices basis in store Fort William/ Port Arthur.....	94,903,188.0	\$84,401,402.43
Barley otherwise purchased at Board initial prices basis in store Fort William/ Port Arthur.....	1,442.6	1,120.71
Purchased from 1958-59 Pool Account—Barley.....	14,271,337.8	13,060,659.26
	<u>109,175,968.4</u>	<u>\$97,463,182.40</u>
Barley sold:¹		
Completed sales at realized prices basis in store Fort William/Port Arthur....	58,530,198.1	58,315,754.83
Weight losses in drying.....	189,879.3	—
Uncompleted sales at contract prices basis in store Fort William/Port Arthur....	3,317,677.3	3,275,547.39
Stocks of barley—stated at cost prices basis in store Fort William/Port Arthur....	47,138,213.7	41,095,242.85
	<u>109,175,968.4</u>	<u>102,686,545.07</u>
Surplus on barley transactions.....		5,223,362.67
Deduct: Carrying costs, interest, administrative and general expenses, etc:		
Carrying charges:		
Carrying charges on barley stored in country elevators.....	\$ 2,965,878.34	
Storage on barley stored in terminal elevators.....	472,976.38	
Interest and bank charges.....		3,438,854.72
Freight recovered on shipments of barley to Pacific Coast ports for export.....		135,334.82
Diversion charges on shipments of barley to Pacific Coast ports for export.....		(362,799.45)
Drying charges.....		65,469.57
Brokerage and Clearing Association charges.....		221,737.41
Administrative and general expenses to 31st July 1960.....		3,415.41
		<u>333,043.31</u>
		3,835,055.79
Credit balance in the 1959-60 Pool Account—Barley, as at 31st July 1960, after valuing stocks of barley on hand at cost prices basis in store Fort William/Port Arthur.....		<u>\$ 1,388,306.88</u>

¹ Excluding open futures purchase contracts of 2,598,000 bushels of October barley adjusted to the market close as at 31st July 1960.

THE CANADIAN WHEAT BOARD
STATEMENT OF PAYMENTS TO PRODUCERS
As at 31st July 1960

	Total Amounts Payable to Producers	Cheques Cashed by Producers to 31st July 1960	Balances Payable to Producers as at 31st July 1960	
ADJUSTMENT PAYMENTS:				
Wheat:				
1952-53 Pool Account.....	\$ 61,124,386.63	\$ 61,122,886.89	\$ 1,499.74	
Coarse Grains:				
1954-55 Pool Account—Oats.....	3,241,697.20	3,240,463.85	1,233.35	
1954-55 Pool Account—Barley.....	7,900,535.63	7,899,067.31	1,468.32	
1952-53 Pool Account—Barley.....	14,467,203.86	41,466,235.06	968.80	
INTERIM PAYMENTS:				
Wheat:				
1958-59 Pool Account.....	25,609,436.69	25,605,766.22	3,670.47	
1957-58 Pool Account.....	36,689,415.19	36,399,305.67	300,109.52	
1956-57 Pool Account.....	38,783,856.67	38,749,993.92	33,862.75	
1955-56 Pool Account.....	39,160,395.34	39,151,540.15	8,855.19	
1954-55 Pool Account.....	37,339,123.87	37,332,455.08	6,668.79	
1954-55 Pool Account.....	22,261,003.14	22,256,836.03	4,167.11	
1953-54 Pool Account.....	38,638,704.15	38,632,737.47	5,966.68	
1952-53 Pool Account.....	63,962,036.83	63,956,913.89	5,122.94	
FINAL PAYMENTS:				
Wheat:				
1958-59 Pool Account.....	276,844,535.19	276,479,782.21	364,752.98	
1957-58 Pool Account.....	33,919,322.24	28,967,069.99	4,952,252.25	
1956-57 Pool Account.....	33,874,398.61	33,826,313.51	48,085.10	
1955-56 Pool Account.....	25,083,690.12	25,075,415.96	8,274.16	
1954-55 Pool Account.....	41,953,923.81	41,945,345.37	8,578.44	
1954-55 Pool Account.....	39,679,620.35	39,670,339.59	9,280.76	
1953-54 Pool Account.....	25,411,407.89	25,404,616.69	6,791.20	
1952-53 Pool Account.....	58,282,438.38	58,277,934.06	4,504.32	
Coarse Grains:				
1958-59 Pool Account—Oats.....	258,204,801.40	253,167,035.17	5,037,766.23	
1958-59 Pool Account—Barley.....	3,153,318.57	3,109,952.71	43,365.86	
1957-58 Pool Account—Oats.....	5,335,502.66	5,245,666.05	89,836.61	
1957-58 Pool Account—Barley.....	2,072,426.92	2,068,004.25	4,422.67	
1956-57 Pool Account—Oats.....	6,120,929.76	6,111,616.66	9,313.10	
1956-57 Pool Account—Barley.....	7,570,416.35	7,568,041.28	2,375.07	
1955-56 Pool Account—Oats.....	8,169,672.90	8,168,313.89	1,359.01	
1955-56 Pool Account—Barley.....	15,217,219.17	15,214,931.35	2,287.82	
1954-55 Pool Account—Oats.....	3,779,605.60	3,778,366.22	1,239.38	
1954-55 Pool Account—Barley.....	6,536,611.93	6,534,676.98	1,934.95	
1953-54 Pool Account—Oats.....	5,631,130.40	5,629,068.80	2,061.60	
1953-54 Pool Account—Barley.....	9,833,495.41	9,831,486.03	2,009.38	
1952-53 Pool Account—Oats.....	10,949,996.58	10,948,617.04	1,379.54	
1952-53 Pool Account—Barley.....	21,403,203.67	21,403,943.74	4,639.93	
TOTAL—all Accounts.....	105,778,529.92	105,612,285.00	166,244.92	
	\$ 727,561,689.83	\$ 721,987,755.49	\$ 5,573,934.34	

THE CANADIAN WHEAT BOARD

STATEMENT OF PROVISIONS FOR FINAL PAYMENT EXPENSES
To 31st July 1960

	Original Provisions	Payment Costs and Other Adjustments to 31st July 1959	Payment - Costs Year Ended 31st July 1960	Exchange, Commissions and Other Adjustments 1959-60 Year	Balance of Original Provisions	Net Interest Credits on Surplus Funds to 31st July 1960	Balance as at 31st July 1960
WHEAT:							
1953-59 Pool Account.....	\$ 156,602.68	\$ —	\$ 81,462.53	\$ 41,721.92	\$ 33,418.23	\$ 97,702.88	\$ 131,121.11
1957-58 Pool Account.....	158,163.71	123,322.95	27,756.89	3,602.16	3,482.60	112,723.95	116,206.55
1956-57 Pool Account.....	141,738.03	136,147.08	5,112.30	86.00	392.65	111,748.20	112,140.85
1955-56 Pool Account.....	159,644.57	147,601.02	1,087.62	8.90	10,947.03	39,935.05	50,882.08
1954-55 Pool Account.....	161,410.82	167,037.95	1,044.57	4.98	(6,676.69)	22,701.59	16,024.90
1953-54 Pool Account.....	139,557.42	115,057.18	730.88	(82.89)	23,852.25	14,468.31	38,320.56
1952-53 Pool Account.....	168,509.10	190,858.09	540.65	4.03	(22,893.67)	194,574.65	171,680.98
	1,085,626.33	880,023.39	117,735.44	45,345.10	42,522.40	593,854.63	636,377.03
COARSE GRAINS:							
1958-59 Pool Account—Oats.....	37,266.37	—	32,500.56	4,417.59	348.32	9,176.78	9,535.10
1958-59 Pool Account—Barley.....	66,741.00	—	51,620.19	7,379.94	7,740.87	13,589.00	21,329.87
1957-59 Pool Account—Oats.....	47,440.68	33,032.23	7,191.35	41.84	7,175.26	7,534.47	14,709.73
1957-58 Pool Account—Barley.....	79,554.74	54,796.06	8,308.47	88.62	16,361.59	21,935.66	38,297.25
1956-57 Pool Account—Barley.....	80,152.07	56,895.54	3,650.84	12.09	19,593.60	23,386.08	42,979.68
1955-56 Pool Account—Oats.....	58,293.43	52,969.45	726.39	.81	4,596.78	6,811.01	11,407.79
1955-56 Pool Account—Barley.....	81,599.80	72,372.85	898.97	.93	8,327.05	19,648.80	27,975.85
1954-55 Pool Account—Oats.....	60,307.99	44,347.10	694.74	.29	15,265.86	14,341.72	29,607.58
1954-55 Pool Account—Barley.....	79,903.89	60,001.82	676.87	.14	19,225.06	21,369.62	40,594.68
1953-54 Pool Account—Oats.....	69,995.33	60,128.85	363.30	.55	9,502.63	15,922.62	25,425.25
1953-54 Pool Account—Barley.....	80,287.94	69,406.44	358.16	.02	10,523.32	23,840.36	34,363.68
1952-53 Pool Account—Oats.....	74,171.79	69,849.82	198.64	.38	4,122.95	16,653.58	20,776.53
1952-53 Pool Account—Barley.....	94,111.14	92,457.28	204.91	—	1,448.95	44,095.92	45,544.87
	909,826.17	666,257.44	107,393.29	11,943.20	124,232.24	238,315.62	362,547.86
TOTAL—all Accounts.....	\$ 1,995,452.50	\$ 1,546,280.83	\$ 225,128.73	\$ 57,288.30	\$ 166,754.64	\$ 832,170.25	\$ 998,994.89

THE CANADIAN WHEAT BOARD

SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31st July 1960

ADMINISTRATIVE AND GENERAL EXPENSES:

Salaries—Board members, officers and staff.....	\$ 2,206,926.03
Unemployment insurance.....	21,264.57
Advisory Committee—travelling expenses and per diem allowance.....	719.10
Rental and lighting of offices, including maintenance of The Canadian Wheat Board Building, Winnipeg.....	232,654.43
Telephone—exchange service and long distance calls.....	44,073.11
Telegrams, cables and telex expense.....	22,449.62
Postage.....	68,141.52
Printing, stationery and supplies.....	156,509.34
Office expenses.....	22,759.11
Travelling expenses.....	59,778.74
Travelling expenses—Inspectors.....	35,182.64
Legal fees and court costs.....	8,429.17
Audit fees.....	46,200.00
Tabulating equipment—rental and sundries.....	158,769.92
Repairs and upkeep of office machinery and equipment....	5,971.53
Grain market publications and services.....	5,330.02
Bonds and insurance.....	4,693.45
Grain Exchange dues.....	3,260.00
Express, freight and cartage on stationery, etc.....	12,471.12
Depreciation on furniture, equipment and automobiles....	20,287.57
Contributions to Pension Fund, actuarial and other expenses	128,288.79
	<u>\$ 3,264,509.78</u>

ALLOCATIONS TO OPERATIONS:

1. Marketing of Producers' grain (including cost of distributing interim payments, if any):

1959-60 Pool Account—Wheat.....	\$ 1,304,851.35
1959-60 Pool Account—Oats.....	86,981.21
1959-60 Pool Account—Barley.....	333,043.31
1958-59 Pool Account—Wheat.....	1,016,022.20
1958-59 Pool Account—Oats.....	71,001.84
1958-59 Pool Account—Barley.....	150,281.14
	<u>\$ 2,962,181.05</u>

2. Distributing final payments to Producers:

(a) Wheat:	
1958-59 Pool Account.....	81,462.53
1957-58 Pool Account.....	27,756.89
1956-57 Pool Account.....	5,112.30
1955-56 Pool Account.....	1,087.62
1954-55 Pool Account.....	1,044.57
1953-54 Pool Account.....	730.88
1952-53 Pool Account.....	540.65
1951-52 and prior Pool Accounts....	11,450.00
	<u>129,185.44</u>

(b) Coarse Grains:

1958-59 Pool Account—Oats.....	32,500.46
1958-59 Pool Account—Barley.....	51,620.19
1957-58 Pool Account—Oats.....	7,191.35
1957-58 Pool Account—Barley.....	8,308.47
1956-57 Pool Account—Oats.....	3,650.84
1955-56 Pool Account—Oats.....	726.39
1955-56 Pool Account—Barley.....	898.97
1954-55 Pool Account—Oats.....	694.74
1954-55 Pool Account—Barley.....	676.87
1953-54 Pool Account—Oats.....	363.30
1953-54 Pool Account—Barley.....	358.16
1952-53 Pool Account—Oats.....	198.64
1952-53 Pool Account—Barley.....	204.91
1951-52 and prior Oats and Barley Pool Accounts.....	750.00
	<u>108,143.29</u>

3. Allocations authorized by Orders-in-Council P.C. 1960-836 and P.C. 1960-837 from Special Account—Undistributed Payment Accounts in partial payment of administrative and general expenses incurred in respect of:

The Prairie Grain Advance Payments Act.....	60,000.00
The Prairie Grain Provisional Payments Act.....	5,000.00
	<u>65,000.00</u>

\$ 3,264,509.78

Mr. McNAMARA: I suggest we start at page 7, of the supplementary report and deal with oats and barley, then review the feed mill policy for western Canada, and then discuss the question of the supply of feed grain for the Canadian market.

Agreed.

MR. EARL:

1959-60 Pool Account—Oats

1. Receipts and Disposition

RECEIPTS

Receipts of oats in the 1959-60 Oats Pool were 29,012,431 bushels.* This total included 23,660,976 bushels delivered by producers from August 1, 1959 to July 31, 1960; an additional 40,019 bushels acquired from others than producers; and 5,311,436 bushels transferred from the 1958-59 Pool Account to the 1959-60 Pool Account.

DISPOSITION OF STOCKS

Completed sales from the 1959-60 Pool Account from August 1, 1959 to January 27, 1961 were 28,980,710 bushels. These sales plus weight losses in drying, amounting to 31,721 bushels, accounted for total deliveries to the 1959-60 Pool Account. Therefore, the 1959-60 Oats Pool was closed without transfer of stocks or futures contracts to the ensuing Pool Account.

THE ACTING CHAIRMAN: Are there any questions on this item on page 7?

MR. BOULANGER: (*Translation*): This means that the 28 million or almost 29 million bushels were handled by the wheat board.

Mr. McNAMARA: Yes, that is right.

MR. BOULANGER: (*Translation*): What is the domestic consumption of oats? I think you said a while ago it was 36 million bushels.

Mr. McNAMARA: You mean out of commercial channels; I will give some figures as follows: from August 1, 1959 to June 15, 1960 commercial disappearance of oats amounted to 38.8 million bushels; and from August 1, 1960 to June 14, 1961, this year, commercial disappearance of oats amounted to 32.5 million bushels. This does not include farm distribution, on western farms. If you look in our annual report at the supplementary table as at July 31, you will see the Canadian oats supply and disposition. It shows the supplies, then farm, commercial, production, total supplies, and disposition by years starting at 1935-36.

MR. BOULANGER: (*Interpretation*): I do not know whether or not you are acquainted with the criticism which has been voiced in the east with regard to the price paid by the eastern consumers for western oats.

Mr. McNAMARA: Yes. I understand that there has been some feeling in eastern Canada that the price of western oats is high. This opinion is not shared by the producers of oats in western Canada. I think, however, there has been some misunderstanding in eastern Canada as to the cost of oats in the eastern Canadian market as compared to the cost of oats across the line—United States oats. I understand that some of our eastern feeders, and a lot of eastern dealers, are suggesting the price they are paying for western Canadian oats is excessive when compared to the price United States feeders are paying across the line. I have some tables we prepared in this regard. I can make them available to the committee. This is a memorandum prepared by our coarse grains sales department on June 23rd.

The ACTING CHAIRMAN: Is it agreeable this be put on the record?

Mr. MUIR (*Lisgar*): Could this be attached to today's minutes of proceedings and evidence?

Mr. McNAMARA: I would like to make the point first. This is U.S. oats, 40 pounds 2 White oats which we consider equivalent in value to our Western No. 1 Feed oats. The sales price—the cost of oats—delivered to Portland, Maine, is as follows: Chicago July oats—June 23rd, $67\frac{1}{2}$ cents per bushel. Premium & Fob charges 05 cents per bushel. Freight to Portland, Maine, $18\frac{3}{8}$ cents per bushel. The total delivered price is $90\frac{5}{8}$ cents per bushel. Taking oats of U.S. origin and delivering them to C.I.F. Montreal, again Chicago July oats—June 23, $67\frac{1}{4}$ cents, premium and f.o.b. 5 cents, which brings the U.S. price to $72\frac{1}{2}$ cents per bushel. Then converting that to the same Canadian measure it would increase the price to $76\frac{1}{2}$ cents, or in Canadian funds, $78\frac{3}{4}$ cents. The freight is $10\frac{1}{4}$ cents per bushel, duty four cents per pound, which would make the price of United States oats in Montreal 93 cents per bushel in Canadian funds C.I.F. Montreal.

Now, take Canadian 1 Feed oats to C.I.F. Montreal, June 23rd. Our asking price in store lakehead was $78\frac{1}{4}$ cents per bushel, the F.O.B. and freight charges again are 13 cents per bushel and the freight subsidy $8\frac{1}{2}$ cents a bushel; so the actual cost of landing the feed in Montreal from Fort William, after the government freight subsidy, works out in Canadian funds at $82\frac{3}{4}$ cents per bushel, which compares with 93 cents for the delivery price of American oats in Montreal.

There is one other comparison we worked out, and that is the price to C.I.F. Moncton. Canadian No. 1 Feed oats can be delivered there for $84\frac{3}{4}$ cents per bushel as compared to American oats from Portland, Maine at 93 cents per bushel.

For anyone who wishes this information in tabular form it is as follows:

<i>U.S. 40 lb. 2 White oats, (equivalent in quality to 1 Feed Oats)</i>		
<i>Delivered Portland, Maine</i>		(per bushel)
Chicago July Oats—June 23rd.....	\$	$.67\frac{1}{2}$
Premium and Fob.....	.05	
Freight.....	$.18\frac{3}{8}$	$.23\frac{3}{8}$
	$.23\frac{3}{8}$	\$ $.90\frac{5}{8}$
<i>U.S. oats to C.I.F. Montreal</i>		
Chicago July oats—June 23rd.....		$.67\frac{1}{4}$
Premium and Fob.....		.05
U.S. Funds—32 lb. oats.....		$.72\frac{1}{4}$
U.S. funds—34 lb. oats.....		$.76\frac{1}{2}$
Canadian funds.....		$.78\frac{3}{4}$
Freight.....		$.10\frac{1}{4}$
Duty.....		.04
	\$	.93 C.I.F. Montreal
<i>Canadian 1 Feed oats to C.I.F. Montreal</i>		
In store lakehead—June 23rd.....	\$	$.78\frac{1}{4}$
Fob and Freight.....		.13
		$.91\frac{1}{4}$
Freight subsidy.....		$.08\frac{1}{2}$
	\$	$.82\frac{3}{4}$ C.I.F. Montreal
<i>Canadian 1 Feed oats to C.I.F. Moncton</i>		
In store lakehead—June 23rd.....		$.78\frac{1}{4}$
Fob and Freight to Quebec.....		.13
		$.91\frac{1}{4}$
Rail freight and Elevation to Moncton.....		$.16\frac{1}{2}$
		$1.07\frac{3}{4}$ C.I.F. Moncton
Freight Subsidy—\$13.60 per ton.....		.23
	\$	$.84\frac{3}{4}$ C.I.F. Moncton

Mr. MILLIGAN: I do not think that most of us in the east are thinking of a cheap feed policy as being in the best interest of economy; but how does the price we are paying for our grain in eastern Canada under the wheat board regulations compare to what the feed mills are paying the farmers for their grain under the present setup?

Mr. McNAMARA: We have some statistics which we will be filing with the committee indicating the price the feed mills are paying for western grain they are buying from the producers. Whether they buy No. 5 or No. 2 Northern makes no difference to the feed mills; but in most cases the feed mills are paying a price in excess of the board price.

Mr. MILLIGAN: In excess of the initial payment or the final payment price?

Mr. McNAMARA: In the case of barley it is mainly in excess of the final payment. In the case of oats, we had a very good payment last year. In this case it was below the final payment, but in excess of the initial payment.

I think we should give this information to the committee now in respect of the feed mills and eastern feed, since it seems it will be difficult to separate these two problems.

Mr. BOULANGER (Interpretation): I did not quite get the comparison between the price landed at Portland and the price in Montreal. I do not think many eastern farmers buy American oats.

Mr. McNAMARA: No. The reason I filed that is because suggestions have been made to us—and I understand some of the representatives of the trade in eastern Canada have been suggesting this—that we should be authorizing the importation of American oats into Canada because they can be imported and would be a cheaper feed for the eastern Canadian feeder than Canadian western oats.

Mr. BOULANGER (Interpretation): But I feel the eastern consumer is interested in being treated as fairly as the western producer who can now buy or sell his oats on the free market.

Mr. McNAMARA: I am in complete agreement. I would like to preface my further remarks immediately, in respect of the eastern feed situation, by stating that we realize the importance of the eastern market to the western producer. Insofar as wheat is concerned our main marketings are in the United Kingdom and western Europe; but insofar as western coarse grains are concerned, our main market is eastern Canada. We are just as anxious, in the case of oats and barley, to have satisfied customers in eastern Canada as in the wheat markets of the world. I think the information we are about to make available to you about board asking prices and cost of distribution, will indicate to you a lot of the problems the eastern feeder is confronted with at the present time in purchasing his western coarse grains. I suggest to you that the western producers when faced with the problem of marketing in western Canada a number of years ago organized through their own efforts efficient machinery for the marketing of their grains. I think the eastern consumer in the buying of his western coarse grains could materially help himself reduce his cost factor if he would organize and try to deal direct with the producer organization in western Canada or with the trade. A lot of these charges or criticisms in eastern Canada cannot be contributed to the asking price that the Canadian wheat board is asking at the lakehead. There are costs involved in the movement which the eastern consumer is paying for feed grain which considerably enhance the price he is paying at the present time.

Mr. MILLIGAN: What I am concerned about is the policy by which we in the east are being asked to buy at wheat board prices, whereas the feed mills in western Canada are on their own and can go out and buy at whatever price they can make the best deal from the producer.

Mr. HORNER (*Acadia*): Only within their own province.

Mr. McNAMARA: Yes, only within their own province. But I suggest there has been no change in this.

I think there is a feeling in eastern Canada, as a result of the new feedmill policies, that feed mills in western Canada are now procuring their coarse grains at a lower price than they previously did. This is not the case. We never have been able to exercise price controls on the feed mills in western Canada. We have no power to control prices within a province.

Our previous battle, if I may call it that, with the feed mills was in an attempt to enforce quota regulations, but the fact we now have made it possible for these feed mills to buy outside the quota regulations has not influenced their prices for which they are paying for western feed, except as we can indicate by the figures we are now circulating, that the price which the mills are now paying for the feed from western producers is at a higher level than a year ago, prior to this committee considering this whole feed mill problem.

Mr. MILLIGAN: From the last reports I have in Hansard, the prices paid by feed mills were from 40 to 45 for oats, 50 to 52 for barley, and 90 to 96 for wheat.

Mr. McNAMARA: They are higher now.

Mr. MILLIGAN: But that does not compare with the figures you were quoting.

Mr. McNAMARA: No; however, you must remember the price I was quoting started off from Fort William, and to the price that oats are sold for in Winnipeg, you must add the cost of transporting that to Fort William. The freight charges must be paid. Then, of course, in moving them east, there are additional charges, the bulk of which are offset by the government pre-assistance policy. However, you cannot compare the price at an inland point such as Regina or Saskatoon—the price he receives at the farm—with the Fort William price, because these additional charges have to be added to that price to get your Fort William price.

Mr. MUIR (*Lisgar*): I would suggest that the argument Mr. Milligan has put up is that he understands the feed mills, under the new setup, are robbing the farmers, and he would like to have the same privilege.

Mr. MILLIGAN: Nothing of the kind. I am proud of the wheat board operations. It has set an example in marketing, and I think we can take a good lesson from it. I do not want to see anything interfere with the operations of the wheat board. I think I have a clipping somewhere, where the Quebec feed dealers have asked for the elimination of the wheat board, and that is something I do not want to see happen. It would not be in the interest of the feeders across Canada, nor the producers.

I am afraid this thing is going to snowball throughout Ontario and through the eastern part of Canada, and that they will ask for the same price as the feed mills pay in western Canada, which I do not think we should have. It seems to me that it would weaken your operations.

What difference in sales has it made up to the present time, or have you any figures?

Mr. McNAMARA: For eastern Canada?

Mr. MILLIGAN: Since these regulations came in last fall—and I am referring to sales of oats and barley.

Mr. McNAMARA: Except for the decline I referred to in the export demand, on the commercial disappearance of barley, from August 1st to June 14th, 1961, there has been 76 million bushels as compared to 97 million bushels last year.

However, the bulk of that difference is in the decrease in the export—and the same applies to oats. Our commercial disappearance of western oats has been 32.5 million as compared to 38.8 million last year. But, the exports are down about the 6 million bushels.

Mr. MILLIGAN: I realize the western farmers should be able to buy their own grain, but there should be some controlling influence so that they would at least pay a minimum of the wheat board initial payment, plus the final payment, and that would equalize it. I do not think the western farmers should pay freight to Fort William, and then back again. I think there should be a stabilizing factor which would stabilize it in both the east and west. We both are producing livestock. I noticed in another report that the hatching of chicks are up 30 per cent in western Canada due to these feed mill regulations, and they are putting out laying mash for \$36 a ton in comparison to \$76 a ton in Ontario.

Mr. McNAMARA: I suggest you are confusing farm feeding in western Canada as related to the operation of the feed mills. We have not reliable statistics, as yet, as to the volume of oats and barley which feed mills are processing, but it is still under 10 million bushels. We will have these figures at the end of July. Whereas, farm feeding in western Canada, as the statistics indicate, are millions and millions of bushels. There is no way you can prevent a farmer from feeding his own grain, particularly when he can only market so much under our regulations. If he has a surplus, he is feeding that surplus, and this has not changed as a result of our new policy.

Mr. MILLIGAN: I think it is increasing all the time.

Mr. McNAMARA: It is not. I do not take your criticism as being unwarranted at all, because as one of a group which is responsible for marketing western oats and barley to the best advantage, we are normally concerned with you in having a satisfactory market in eastern Canada. I think we must accept some responsibility in this regard, because it is very evident that you and the other eastern feeders are not well informed with regard to our pricing policies. I respectfully suggest that the solution to this problem is organization and improved methods of buying on the part of the eastern Canadian, because I am satisfied that a saving can be realized if the eastern consumer would work towards the best advantage. I hate to suggest that my people came originally from eastern Canada, but of all the markets in the world, I suggest that the eastern buyer is away behind the times, as compared to any other market in the world today.

Mr. MILLIGAN: I have received a few complaints from the U.C.O. Have you received any?

Mr. McNAMARA: Yes, we have, and our minister has received numerous complaints. A lot of publicity has been given throughout eastern Canada as to our operations the last few months. By colleague, Mr. Robertson, has just returned from attending a meeting in Quebec, where this problem came up. He can speak on this meeting. However, I do think—and I want to say this quite frankly to the committee—that as merchandisers we have some responsibility for this eastern market, and I think we have been somewhat remiss in not acquainting the feeders in eastern Canada with more of the facts, because there has been a lot of propaganda spread around which is not related to the actual situation.

Would you care to comment on this, Mr. Robertson?

Mr. ROBERTSON: Well, Mr. Chairman, first there is this one other comment I would like to add to what Mr. McNamara said about feeding out west. One of the big operations is the feed lot. The feed lot operator always has been as free of wheat board quotas and controls as the farmer feeding his own grain

right on the farm. And even though you closed every feed mill in western Canada, the feed lot operator, which I think is bigger than the feed mill operator, would go on. As far as the Wheat Board Act is concerned, we have no control over that feature of the cost of feed in western Canada.

Now, as far as the meeting that I was at in Saint-Hyacinthe is concerned, Mr. Boulanger was there, and it was a very representative meeting. There were about 100 there from all parts of Quebec. They were composed of feed mill operators, feed lot operators, farmers and feed dealers. The general complaint was that their feed was costing them more than it had been, that the product they had to sell was lower, and that they were caught in a cost-price squeeze, which seemed to be similar to what I have heard producers in western Canada saying. They say they are up against a similar problem in the sale of their grain.

At this discussion many of the points which Mr. McNamara has already explained were brought up, but there was one thing for which I could not get an explanation at the meeting. It seemed that feed consumers were paying prices for oats and barley that greatly exceeded any prices we could calculate might be the delivered cost in Montreal and the St. Lawrence river area. Even last fall when fair prices prevailed there seems to have been a cost factor reflected in the cost of oats and barley reaching Montreal and the St. Lawrence area, more particularly from there to the buyer who was ultimately going to use them. There seems to be a big increase in price and I do not know the reason for that. Neither was I able to find it out at the meeting. No one seemed to have an explanation for it. That seemed to be where a lot of the criticism was being directed back to the board.

The figures I had at that time indicated that last fall, when we were at times a little short of supplies at the Lakehead, our prices did increase, but our Lakehead prices never increased anything like the prices to the man who was feeding the grain down here, even after allowing for transportation and the refund of the subsidy.

As I say, there was a moderate increase in the price at the Lakehead. At the most it was \$2 or \$3 a ton on oats, and maybe the same on barley at one time, but those prices settled back again. Another thing which I gathered at the meeting was that barley prices were satisfactory. It was the oat prices which they considered were high, because at one time oats were selling higher than barley at the Lakehead.

The other complaint was in connection with No. 5 wheat, and when they did obtain No. 5 wheat, it was priced higher, compared to a year or two ago. Prices of No. 5 wheat advanced as supplies diminished, and they have diminished to the point where we have virtually no stocks of No. 5 wheat in the west. That problem of the increasing price of No. 5 wheat, and then of No. 4 wheat, was something about which we could do nothing, because if we have not got the stocks we cannot supply them with those grades.

That, to me, was the sum and substance of what was a four-hour meeting. There was a very wide range of discussion, and one of the other things mentioned was that there should be some sort of an open market arrangement for oats and barley on the domestic market. That is something which I do not know how we could operate. It comes out of the thought Mr. Milligan has mentioned, that because of the western feeder being able to get oats, not quoted by the wheat board, the man down here should be able to do the same thing. Generally, that is the problem and I do not see an answer to the situation, other than the one thing that there is this wide gap after they get down here until they get to the feeder. Whether that is due to heavy transportation costs or not, I am not aware, but that is one place where the prices had been enhanced more than at the Lakehead.

Mr. MILLIGAN: I should like to thank Mr. Robertson for his statement, but I feel the board can help up out to some extent. I was buying oats all winter in the Ottawa district at \$65 a ton, and that was due to the fact we did not have stocks and supplies down here, and so we were depending upon a speculative market. Not enough oats were brought down here last fall. If we had more elevator space for feed grains in the east, instead of our elevators being full of export grain, we would be in a much better position, but I think we are at the mercy of the trade at times and they take advantage of us. Has Mr. McNamara the answer to that? Perhaps we should change our buying policy, by buying in the fall and storing this grain.

Mr. McNAMARA: Just on that point, you will notice later in the supplementary report, when dealing with general comment on oats marketing, we do admit that for a time last year the supply of oats was too short. There were a number of reasons for this. At this time about a year ago there was a very limited demand for oats, particularly in eastern Canada. It looked as if the eastern feeder was expecting a sharp reduction in the price of oats, and stayed out of the market. Nevertheless, we were in the position last fall where the supply of oats which we had available at the Lakehead was too low in relation to the demand.

In our annual report we make reference to this, and it was coupled with the endeavour which the board made at the end of the crop year to equalize producers' opportunities in the west. In our effort to equalize, we congested our pipeline. We took in too much wheat and did not allow for the free movement of grains which were in demand. That was coupled with the usual demand for Durum in the fall, and we had to take advantage of a lot of transportation to move this Durum, which resulted in a tight position in oats and barley in the fall period.

I should like to make two other points. It is far from me to take the role of trying to defend the grain quotas, but you must remember that the manner in which the eastern feeder proceeds makes it very difficult for the western trader to anticipate the demand. When a trader takes oats from the port of Fort William and moves them down, he has to finance them until the eastern feeder makes up his mind he wants to buy them.

On more occasions than one dealers in western Canada have moved grain into eastern Canada and, for reasons best known to the Canadian feeders, they have not always picked up these supplies with the result that traders at times take heavy losses. Naturally, therefore, they are reluctant to move into position a larger quantity than they anticipate you people are going to buy. I may say I am speaking for our whole board when I say I think our hope is to market western grain to the advantage of the people producing it, and therefore I think some of the steps our minister is taking in this report are going to be beneficial.

Mr. Hamilton has in mind setting up a permanent liaison committee on which eastern feeders will be represented, and which will meet at regular intervals with our board, so that we can be kept more closely appraised of eastern requirements from time to time, and I hope we shall be able to take action fast enough to resolve the difficulties we expect next fall. You will remember that the previous year we have no complaints at all, and I suggest last year's experience was an exception and I hope it will not be repeated. I also understand that our minister has announced the advisability of having on our advisory board a representative of the eastern consumers. This would be most helpful because this member would have access to information we have available on our marketing position and he would be able to bring to our attention the problems of the eastern feeder. As you know, I have recently

returned from extensive travelling in the Far East, and I think one of the papers made the suggestion, which I think is quite appropriate, that we should probably be looking towards the Near East, not always to the Far East. We certainly intend to do this.

Mr. FORBES: Mr. Milligan has overlooked one point, that they have the advantage of 10 cents or 15 cents a dozen on eggs, and 3 cents or 4 cents a pound on pork, and about the same on beef. That surely ought to offset part of the freight rate to get the feed down here.

Mr. BOULANGER (*Interpretation*): Mr. Robinson stated a moment ago that there was something he did not understand in the complaints made by the eastern feeders. I think I can provide an explanation. On February 24 the minister gave some prices for oats, barley and wheat. He gave prices as follows: oats in the west, 55 cents, whereas in the east it was 81½ cents. The 55 cents was the non-quota mill price. It did not include the 14 cents freight, which made 95 cents in all. The price given by the minister in respect of barley was 65 cents in the west, while the price in the east, with freight added, was \$1.45.

As far as wheat is concerned, the price given by the minister was 95 cents, while the asking price in the east, with freight charges added, was \$1.84. This makes a difference for oats of 48 per cent, barley 54 per cent and wheat 67.5 per cent.

Let me quote the following:

Lowest prices quoted in Manitoba were 40 cents a bushel for oats 2 CW; 67 cents for barley 3 CW; and 90 cents for wheat No. 2 Northern...

In Alberta, the inquiry quoted prices of 45 cents for oats, 65 cents for barley, and \$1.05 for wheat.

In Saskatchewan the prices were lower: for barley, 55 cents; for wheat 85 cents; oats ranging from 40 cents upwards. I could quote from more clippings.

That is the reason why eastern farmers are complaining. At the present time eastern farmers are buying corn on the U.S. markets at a price which is lower by \$7 per ton. It has been claimed that we will be buying from \$12 million to \$14 million worth of corn in the United States, whereas in our elevators we have 400 million bushels of wheat of which we cannot dispose and on which, in any event, we are paying storage charges.

Mr. MUIR (*Lisgar*): I wonder if Mr. Boulanger would permit a question. Who is paying storage on the 400 million bushels of wheat?

Mr. BOULANGER: The taxpayers.

Mr. MUIR (*Lisgar*): The taxpayers pay storage on anything over 178 million bushels of wheat, while the western farmers pay storage on 178 million bushels. That is the point I wish to make.

Mr. BOULANGER: Last year it cost \$400 million to pay the storage.

Mr. HORNER (*Acadia*): Do you think this should not be?

Mr. BOULANGER: Do not try to catch me. The farmers in the east have not got their own grain. Who is paying the storage?

Mr. HORNER (*Acadia*): In the west they are paying storage on their own grain. They are building granaries.

Mr. MUIR (*Lisgar*): I would just like to know, Mr. Chairman, what is the freight pay-back from the government to the eastern feeder, and how that compares with the \$20 million?

The CHAIRMAN: Mr. Boulanger, I have been listening for some time. There is some information on the record, but do you have a question on that?

Mr. BOULANGER: I would like to know what the Canadian wheat board thinks about the complaints from eastern farmers.

Mr. McNAMARA: I tried to explain it earlier and I do not think you are conversant with the facts. You are comparing prices western farmers would get if they sold their own grain at a central point, say in western Canada, with laid-down prices in eastern Canada. This grain has to be transported thousands of miles, and while it is true that the freight subsidy on the movement, of \$5 a ton, is absorbed by the dominion government, you are overlooking the cost of moving the grain, say, from Saskatchewan to Fort William, paying 20 cents to 25 cents per cwt., which freight is paid by the producer in western Canada. You cannot compare the prices paid by a feed mill in Saskatchewan with laid down prices in Montreal. These comparisons are not related at all.

The other point which I do not think you appreciate is that in so far as price is concerned on the grain produced, say, in the western provinces, that is barter and sale between producers and feed manufacturers within the prairie provinces, it is entirely outside the control of our board. With your permission I would like to ask our solicitor to just point out the regulations under our act, where our powers begin and stop. We cannot control prices at which grain is sold from one producer to another within western Canada. This is not related to our operations at all.

Mr. MONK: Mr. Chairman, this is quite a large question. I will try to deal with it as shortly as I can. It is a constitutional question. The powers of the dominion, in so far as they are related to trade and commerce, are confined to controlling interprovincial transactions, interprovincial trade and export trade. The dominion also has power over railways and over what are loosely called, in the B.N.A. Act, "works for the general advantage of Canada."

Railways and elevators and feed mills have all been declared works for the general advantage of Canada, and it is under these provisions that the Canadian Wheat Board Act is framed. The scheme of control is that it prevents the movement of wheat, oats or barley out of a province except with the permission of the board or by the board, and this drives the grain into the hands of the Canadian wheat board. Now, the board has no control over transactions wholly within a province, I mean sales of grain wholly within a province. To that end some provincial legislation has been enacted, but it has not been enforced. Property and civil rights within a province are wholly within provincial jurisdiction. Consequently they are outside the control of the board. You may ask me, what of our control over feed mills. Now, the control which we exercise over feed mills is done under our quota regulations, which have nothing to do with price or contract. They have merely to do with the movement of grain into or out of the mill. While we can prevent or control the physical movement of the grain into a feed mill, we have no control over the price which may be paid for it.

Mr. BOULANGER (*Translation*): Why should not the wheat board adjust the price of wheat to a level, so that the eastern farmer could buy Canadian wheat at the same price for which he buys American corn?

Mr. McNAMARA: You ask why should we reduce the price of western Canadian wheat to the level of corn, if we can sell Canadian wheat at the price we are now securing for it? Under our act we are not set up to try to subsidize the eastern consumer. That is a responsibility which does not rest on the Canadian wheat board. Our act directs us to merchandise the grain

produced by western producers to the best possible advantage of the western producers. And as I said earlier, we realize that we must have satisfied customers, and that the largest market for our oats and barley is eastern Canada. But that is not the case with wheat. We could sell larger quantities of low grade wheat if we had it available. But we are not selling to the eastern consumer a one fraction of a cent higher than we can sell the same goods to a buyer overseas.

Mr. BOULANGER (*Translation*): Why should we not have two prices then?

Mr. McNAMARA: Do you ask why the western producer should not sell below what other people will pay, such as the eastern feeder. I think the members who are asking for a two-price system are suggesting that the eastern consumer should pay a higher price than the export price, not a lower one.

Mr. HORNER (*Acadia*): An eastern producer or purchaser may order a carload of oats or barley from the wheat board and have it delivered to the siding closest to him, can he not?

Mr. McNAMARA: Yes, at our price; we set the price, but the transaction is actually handled by the trade acting as our agent. There have been such cases. I remember a few years ago when this was reported to a meeting of our advisory committee, and quite recently when a group of Ontario producers arranged to purchase from one of our agents—from a farm co-operative in the west—12 to 15 carloads of oats, and they moved the oats into Ontario, and they got a better price than they had been receiving; that is, they got it from \$8 to \$10 a ton cheaper than the local people were paying. The price of oats dropped immediately in that area, until these oats were consumed. The fact remains that if the eastern consumer would only organize, he could buy to better advantage, and he could substantially narrow the gap between our selling price and the price that is being paid in eastern Canada.

Mr. HORNER (*Acadia*): If they went in as a group, they could buy in larger orders.

Mr. McNAMARA: They could buy at a time when the market was favorable to them, and they could move the grain down into storage and take advantage of lake freight and distribution methods in eastern Canada. Certainly it would materially reduce the price of western feed to the consumer in eastern Canada. I suggest that the eastern feeders should organize and arrange this.

Mr. BOULANGER (*Translation*): He would still have to pay the storage.

Mr. McNAMARA: Yes. They are paying the storage now.

Mr. PASCOE: But the Freight Assistance Act applies in those cases.

Mr. McNAMARA: Yes; they get the benefit of the freight assistance.

Mr. MILLIGAN: Does the futures market increase the cost of grain in the east?

Mr. McNAMARA: Not necessarily; at times. Due to the limited operation we had available in a period last fall, the futures market rose to a level which was not beneficial to the western producers or the eastern consumers. This was because we did not have the transportation available at the time.

Mr. MILLIGAN: Does the futures market give any better price to the western producer?

Mr. McNAMARA: This is a very debatable point.

Mr. MANDZIUK: Would it be a solution if the eastern feeder had a buying agency just as we have a selling agency in the wheat board and buy in bulk quantity for distribution?

Mr. McNAMARA: I think the eastern Canadian market is the only unorganized market that purchases grain in volume in the world. By organizing I certainly think they could materially improve the efficiency and reduce the cost. I know for a fact that some of our western farm organizations which have worked closely within the federation of agriculture have made this suggestion to the eastern consumer in the past. I believe they offered funds to help them finance storage and other facilities. For some reason or other unknown to me the eastern consumers have not seen fit to take advantage of these suggestions. I think a lot of educational work has to be done. We have some share of responsibility, but the real core of the problem lies in the hands of the eastern consumer himself.

Mr. BOULANGER (*Interpretation*): There is one sure thing, and that is that the eastern farmer is dependent on the Canadian wheat board whereas the others are not.

Mr. McNAMARA: What do you mean by the others?

Mr. BOULANGER (*Interpretation*): Farmers in the west.

Mr. McNAMARA: I think the western farmer is dependent on the wheat board today in marketing his coarse grains.

Mr. BOULANGER (*Interpretation*): Why does the farmer from the east have to go through the Canadian wheat board?

Mr. McNAMARA: Because the government of Canada has decided, no doubt with the support of the western producers, that they want the western grain market to operate through a central agency such as the Canadian wheat board.

Mr. BOULANGER (*Interpretation*): I can understand without any trouble at all that you have to apply legislation as it is; but I do not understand, and do not approve, of the Canadian wheat board standing up only for the western Canadian farmer.

Mr. HENDERSON: We do not stand up for the western farmer.

Mr. NASSERDEN: Would Mr. McNamara comment on this: suppose I am an eastern feeder and want to buy a carload of barley or oats from the Canadian wheat board through an agent. Approximately how long would it take from the time I placed an order for the boxcar to get delivery of that grain?

Mr. McNAMARA: It would depend on what area you are in? Are you speaking about a carload by rail? This is not an economical way for you to purchase it. You should have it shipped by water. I would think it would take two or three weeks, depending on the locale in western Canada.

Mr. SOUTHAM: I think Mr. McNamara brought out a good point when he suggested the minister might set up a liaison committee on which I would assume that eastern representatives would work in harmony with the Canadian wheat board with the result they would analyse this cost price factor that we are speaking about here. I think this is something we could work out to advantage possibly next year. I think it is a very good suggestion and, possibly, it will help eliminate some of these problems. They likely will recommend some type of organization here to work to better advantage.

Mr. McNAMARA: I am very hopeful that this action the minister has taken will assist in this program. Both the liaison committee as well as having an eastern consumer on our advisory board, is a step in the right direction, and it will be helpful to a better understanding of this problem.

The CHAIRMAN: If there are no further questions under No. 1, we will proceed to No. 2.

Mr. EARL:

2. 1959-60 Pool Account—Oats

The following table shows the operating results of the 1959-60 Pool Account from August 1, 1959 to the closing of the pool, January 27, 1961:

	Bushels	
1. Oats acquired by the board:		
(a) Producers' deliveries, August 1, 1959 to July 31, 1960.....	23,660,976	
(b) Oats otherwise acquired ¹	40,019	
(c) Purchased from 1958-59 pool account—oats..	5,311,436	
Total oats acquired.....	29,012,431	
	(Value)	(Value)
2. Cost of oats acquired.....		\$ 16,854,491
3. Proceeds of sales—August 1, 1959 to January 27, 1961.....		22,552,129
4. Gross surplus as at January 27, 1961.....		5,697,638
5. Operating costs—August 1, 1959 to January 27, 1961:		
(a) Carrying charges including terminal storage.	\$ 1,624,978	
(b) Interest and bank charges.....	(2,032)	
(c) Freight recovery on export oats.....	(8,249)	
(d) Drying charges.....	32,566	
(e) Brokerage and clearing association charges..	5,662	
(f) Administrative and general expenses.....	143,604	
		1,796,529
6. Surplus on operations of the board on 1959-60 pool account—Oats, for the period August 1, 1959 to January 27, 1961.....		\$ 3,901,109

¹ Purchases from non-producers at the board's initial prices basis in store Fort William/Port Arthur.

The CHAIRMAN: If there are no questions on this matter, we will proceed to No. 3, Operating Costs.

Mr. EARL:

3. Operating Costs

Net operating costs applicable to the 1959-60 oats pool, including carrying charges, amounted to \$1,796,529. The principal item in operating costs consisted of carrying charges of \$1,624,978, or 6.8678 cents per bushel on producers' deliveries. Interest and bank charges and freight recovery on export oats resulted in credit items of \$2,032 and \$8,249 respectively. Drying charges were \$32,566, while brokerage and clearing association charges were \$5,662. Administrative and general expenses amounted to \$143,604, or .6069 cent per bushel.

The CHAIRMAN: Are there any questions?

Mr. HORNER (Acadia): In other words, the wheat board handled something like 29 million bushels of oats and, more than likely, there was something like 400 million bushels of oats fed on the farm by the farmers themselves. Is this a proper interpretation of the tables?

Mr. McNAMARA: I think the 400 million is a little high. Was not the production about 200 million?

Mr. HORNER (*Acadia*): It is table 5.

Mr. McNAMARA: Oh, yes. This is counting all oats in Canada, and includes eastern oats.

Mr. HORNER (*Acadia*): I see.

Mr. McNAMARA: This is the total supplied.

Mr. HORNER (*Acadia*): Western oats would be about half of that.

Mr. McNAMARA: I thought we had a table on that here somewhere. Yes, it is table 3— the production of oats. The figure is 263 million.

Mr. HORNER (*Acadia*): In other words, there would be about 200 million bushels that would be fed on the farm by the farmers themselves?

Mr. McNAMARA: Yes, as compared to the 29 million marketed.

Mr. HORNER (*Acadia*): Actually, you handled about 10 per cent of the oats grown by western farmers?

Mr. McNAMARA: Yes.

The CHAIRMAN: Can we consider No. 4 as read?

Some HON. MEMBERS: Agreed.

4. Surplus for distribution to producers

The surplus in the 1959-60 oats pool for distribution to producers was as follows:

Surplus on operations of the board as at January 27, 1961.....	\$3,901,109	
Deduct: Prairie Farm Assistance Act Levy.....	\$ 38,912	
Cost of issuing final payment.....	27,835	
		66,747
		3,834,362
Add: Additional interest earned after January 27, 1961..		17,956
Surplus for final distribution to producers.....	\$3,852,318	

As shown by the preceding table the final surplus for distribution to producers was \$3,852,318. On producers' marketings of 23,660,976 bushels, the average final payment was 16.281 cents per bushel.

The following table shows initial payments, final payments and prices realized by producers (basis in store Fort William/Port Arthur) for the principal grades of oats delivered to the board in 1959-60 after deducting board operating costs, including carrying charges in country and terminal elevators and board administrative expenses:

	Initial Payment ¹	Final Payment ¹	Realized Price ¹
	(cents per bushel)		
No. 2 Canada Western.....	60	17.319	77.319
No. 3 Canada Western.....	57	16.077	73.077
Extra No. 1 Feed.....	57	15.440	72.440
No. 1 Feed.....	55	16.207	71.207
No. 2 Feed.....	50	19.648	69.648
No. 3 Feed.....	45	21.068	66.068

¹ Prior to deduction of Prairie Farm Assistance Act levy.

The final payment on the 1959-60 oats pool was approved by Order in Council P.C. 1961-194, February 13, 1961. The issuance of the final payment cheques to producers commenced on February 15, 1961 and was completed on February 21, 1961.

Mr. EARL:

5. Purchases and sales

The following table shows board purchases and net sales of oats, by months, and stocks of oats held by the board at the end of each month for the account of the 1959-60 pool:

	Purchases	Sales	Unsold Stocks
	(bushels)		
August, 1959.....	859,070	—	859,070
September.....	3,462,298	—	4,321,368
October.....	1,996,460	3,171	6,314,657
November.....	1,629,816	130,307	7,814,166
December.....	1,218,129	225,402	8,806,893
January, 1960.....	822,358	218,134	9,411,117
February.....	814,799	204,754	10,021,162
March.....	6,042,567 ¹	4,617,400 ¹	11,446,329
April.....	947,595	1,047,728	11,346,196
May.....	2,076,811	3,797,687	9,625,320
June.....	2,364,797	2,386,188	9,603,929
July.....	6,777,731	2,135,300	14,246,360
August.....	—	6,438,393	7,807,967
September.....	—	3,221,888	4,586,079
October.....	—	2,918,551	1,667,528
November.....	—	710,528	957,000
December.....	—	957,000	—
	29,012,431	29,012,431	

¹ Includes 5,311,436 bushels purchased from the 1958-59 pool account and the sale of 4,169,000 bushels of futures to 1958-59 pool account.

During the period from August 1, 1959 to March 4, 1960, sales of oats were mainly for the account of the 1958-59 pool account. Small sales were credited to the 1959-60 pool account, these sales consisting of grades which could not be supplied from the inventory of the 1958-59 pool.

Sales of oats were moderate during the April-June period, reflecting lack of export and domestic demand. About mid-July a sudden increase in domestic demand occurred. During the balance of the selling period of the 1959-60 Pool, sales were effected as rapidly as supplies could be placed in forward positions. In addition, sales were also made from the 1960-61 Pool Account during November and December, 1961.

The CHAIRMAN: Are there any questions on this section?

Mr. HORNER (*Acadia*): I have one question. You speak of increased demand about the middle of July. I note also that the price rose at the same time. Did it rise because of the increased demand?

Mr. McNAMARA: Yes.

The CHAIRMAN: Shall we take No. 6—Pricing, as read?

Some Hon. MEMBERS: Agreed.

6. Pricing

The following table shows monthly average board asking prices for No. 1 feed oats, along with high and low prices recorded each month during the selling period of the 1959-60 Pool Account; i.e. from March 7, 1960 to January 27, 1961. Prices are basis in store Fort William/Port Arthur.

	High	Low	Average
	(cents per bushel)		
March, 1960.....	77½	73½	75½
April.....	77	75½	76½
May.....	78½	76½	77½
June.....	79½	76½	78
July.....	81½	76	78½
August.....	85½	81	83
September.....	82	80½	81½
October.....	80½	77	79½
November.....	77½	70½	72½
December.....	71½	70½	71
January, 1961.....	71½	71	71½

During the March-June period, Board asking prices for No. 1 feed oats moved to slightly higher levels. In the months of July and August asking prices increased sharply, reflecting an upsurge in domestic demand and advancing prices on the futures market. While oats continued to move in volume during the first half of the crop year 1960-61, prices worked to lower levels, reaching their low point in the final weeks of the selling period of the 1959-60 pool account.

Mr. EARL:

7. General Comment

Marketing operations during the selling period of the 1959-60 Oats Pool were characterized by two distinct phases. The first phase comprised the March-June period when demand was limited. Stocks of oats, placed in eastern positions prior to the close of navigation in 1959, were only partially absorbed during the ensuing winter months and these stocks provided for part of eastern demand into the month of May and, some instances, into June. In the absence of sizeable export demand, trading in oats during the foregoing period was of a limited nature. During this period, stocks of oats were available at all times to meet market demand.

The second phase arose in July and continued to the close of navigation on the Great Lakes. This latter phase had its origin in a sudden demand for oats which arose in mid-July and continued for the balance of the period. The immediate incentive to the market was provided by a sharp decline in oats production in Ontario and the lack of forward commitments on the part of buyers at the time.

Under the circumstances a substantial movement of western oats was required from country stations to the Lakehead and into eastern positions during the August-December period. This movement was carried out under difficult conditions because of prior commitments on the part of the Board in respect to Durum Wheat and other grades of wheat required to meet sales contracts. Elevator congestion at the Lakehead and in eastern positions, including St. Lawrence ports, added to the difficulty of placing western oats in the eastern market in adequate volume for immediate and later requirements. However, by the close of navigation the quantities of oats purchased for eastern winter requirements had been moved forward.

When it became apparent that substantial, if not completely adequate, quantities of oats would be available for the domestic market, prices declined steadily from the levels reached in mid-August. For the month of August the average Board asking price for No. 1 Feed Oats was 83 cents per bushel. In September and October monthly average Board asking prices declined to 81 $\frac{3}{4}$ cents and 79 $\frac{1}{2}$ cents, respectively. Prices dropped sharply in the final three months of the selling period.

Exports of oats were very limited during the selling period of the 1959-60 Pool, amounting to slightly over 3 million bushels. Small export shipments were made to the United Kingdom, Germany, Switzerland and the United States.

Producers' deliveries to the 1959-60 Oats Pool amounted to 23.7 million bushels. These supplies were delivered by producers under initial and general delivery quotas established between August 1, 1959 and July 31, 1960. These deliveries, along with stocks of oats in commercial positions on August 1, 1959, were adequate to meet domestic and export demand for the crop year 1959-60. The sudden demand for oats in July, 1960, and subsequent shipping policies carried out by the Board had the effect of enlarging producers' deliveries of oats to the ensuing Pool.

The average final payment to producers from the 1959-60 Oats Pool was 16.281 cents per bushel as compared with an average final payment of 8.138 cents per bushel in the case of the 1958-59 Pool Account. The increased return to producers was due, firstly, to a higher level of realized prices for the greater part of the selling period of the 1959-60 Pool and, secondly, to decreased carrying charges.

Of total sales of 28,980,710 bushels, 21,563,000 bushels were sold in the futures market.

Mr. MILLIGAN: Under the Wheat Board Act, the wheat board have complete control over the importation of oats, barley and coarse grain into this country?

Mr. McNAMARA: We have the power to authorize the importation or exportation of wheat, oats and barley.

Mr. MILLIGAN: Under this set-up, the western producer has the highest form of protection that can be given against the importation of coarse grains?

Mr. McNAMARA: That is a difficult question for me to answer. I think I can best answer it by giving my first answer; we have the power to authorize the importation or exportation of wheat, oats and barley.

Mr. MILLIGAN: As long as there is a surplus of wheat in western Canada, it is impossible to import a carload of grain into the country?

Mr. McNAMARA: There has been a heavy importation of corn, as I pointed out already.

Mr. MILLIGAN: I am thinking of coarse grains.

Mr. McNAMARA: In connection with the importation of coarse grains, I gave you comparative prices and tried to indicate by those prices the quantity of American grain imported into eastern Canada would be higher with the prices you have been paying for western oats. I do not think it is an argument to say, in fact, we have not authorized the importation of American feed grain, oats and barley into eastern Canada.

Mr. MILLIGAN: Of course the price structure would be different to the Argentine?

Mr. McNAMARA: I doubt it very much.

Mr. MUIR (*Lisgar*): The price structure here would be different from the Argentine.

Mr. McNAMARA: I doubt it very much. We will check that but I do not think we can import Argentine oats to Montreal as cheaply as western oats. In the absence of actual trading, it is difficult to calculate the cost of delivering Argentine oats in store Montreal. However on the basis of an estimated freight cost and nominal quotations in the Argentine the cost would be in the neighborhood of \$50.00 per metric ton in cargo lots. Stocks of surplus oats in the Argentine are very small.

Mr. HORNER (*Acadia*): Mr. McNamara more or less answered my question. I was going to point out to Mr. Milligan that any importation of oats or barley would cost more.

Mr. HENDERSON: Oats from the United States are not as good as Canadian oats.

Mr. McNAMARA: I agree.

THE CHAIRMAN: I hope the committee might consider adjourning, once we finish the oats account here. Before doing so, I believe we have figures and tables presented to us. Would it be agreeable to the committee that these be made appendices to today's proceedings?

Agreed.

Any further question or general comment?

Mr. HORNER: (*Acadia*): Will you table all that was handed to us tonight?

THE CHAIRMAN: There are two sets of figures which will be tabled.

EVIDENCE

TUESDAY, JUNE 27, 1961

The CHAIRMAN: Gentlemen, we have a quorum.

Before we proceed this morning, I would like to introduce some of the gentlemen at the back and, if there are any persons I miss, I would ask them to stand up and identify themselves, and advise us which pool or elevator company they are with.

I would like to introduce Mr. Cecil Lamont, president of the Northwest Line Elevators, along with Mr. McIchan, who is also with Northwest Lines Elevators. Then, there is Mr. G. L. Harrold, president of the Alberta wheat pool; Mr. H. L. Griffin, an economist with the United Grain Growers; Mr. R. C. Brown, vice-president of the United Grain Growers; Mr. Charles W. Gibbings, president of the Saskatchewan wheat pool, and Dr. W. J. Parker, who was here yesterday, and is expected back this morning. We appreciate having you gentlemen in attendance.

At adjournment last evening we had finished up the pool account in connection with oats, and I understand it was the decision of the committee to proceed to the next item, namely the barley pool account.

Mr. EARL:

1959-60 Pool Account—Barley

1. Receipts and Disposition

RECEIPTS

Receipts of barley in the 1959-60 Pool were 109,175,791 bushels.* This total included 94,903,083 bushels delivered by producers between August 1, 1959 and July 31, 1960; and an additional 1,370 bushels received from others than producers and 14,271,338 bushels transferred from the 1958-59 Pool as at March 4, 1960.

DISPOSITION OF STOCKS

Sales of barley from the 1959-60 Pool Account and weight losses in drying amounted to 90,457,370 bushels and 197,025 bushels respectively, leaving 18,521,396 bushels of unsold stock to be transferred to the 1960-61 Pool Account in accordance with the provisions of Section 29 of the Canadian Wheat Board Act. These latter stocks consisted principally of No. 1 Feed and No. 2 Feed Barley. Of the total transfer, 16,268,000 bushels were covered by sales of futures. Stocks of cash barley were transferred as at the close of business on March 30, 1961 on the basis of the Board's quoted prices for the grades concerned, less $3\frac{1}{2}$ cents per bushel for subsequent carrying charges. Futures were transferred on the basis of market closing quotations for the relevant futures on March 30, 1961. The transfer was approved by Order in Council P.C. 1961-562, April 20, 1961.

*Pool receipts were revised downward by 177 bushels as compared with receipts shown on Page 23 of the Annual Report of The Canadian Wheat Board for 1959-60.

The CHAIRMAN: Are there any questions?

Mr. HORNER (*Acadia*): I have one question which is in connection with barley, particularly. I would like to know how it applies to the cash advances. I have asked this before, but I still am not clear on it. If a person takes out a cash advance, say on his wheat, and if he had a carload of malting barley go malting and he has an opportunity to ship a carload of malting barley, is this cash advance collected on that, as well?

Mr. McNAMARA: Just a minute, now; there is a little difference of opinion here. Over-quota barley is except from the payment of a cash advance. The first year it was included. However, it was amended, and now if a farmer has a cash advance and gets a special permit to deliver a carlot over the quota, the cash advance is not deducted from the settlement of the over-quota barley; it is only on the general quota.

Mr. MUIR (*Lisgar*): When he takes a cash advance, he has to say how many bushels he has at home and, if this barley is at home, is the cash advance not made on the barley as well?

Mr. McNAMARA: It is deliverable up to the six bushels of the regularly specified quota. He has to say he has grain on the farm to protect the six bushels.

Mr. ROGERS: To pursue that further, when he sells this carload of malting barley, he does not have to pay the advance when it is taken out on the six-bushel quota.

Mr. McNAMARA: Not out of the proceeds of that malting barley; under the general quota he pays his advance, but it is not deducted from the settlement of the over-quota grain.

Mr. MANDZIUK: Do you check to see if he has any grain over and above?

Mr. McNAMARA: Excuse me. My advisers tell me I am all wrong, again. Could we come back to this after these boys have had their huddle? I still think I am right.

Mr. HORNER (*Acadia*): I hope you are.

Mr. MANDZIUK: I do not think you should be right.

Mr. ROGERS: I do not think so, either.

The CHAIRMAN: Is it agreed that we proceed to No. 2?

Some HON. MEMBERS: Agreed.

The CHAIRMAN: Can we take No. 2 as read?

Some HON. MEMBERS: Agreed.

2. 1959-60 Pool Account—Barley

The following table shows the operating results of the 1959-60 Pool Account from August 1, 1959 to the closing date of the Pool, March 30, 1961:

	Bushels
1. Barley acquired by the Board:	
(a) Producers' deliveries, August 1, 1959 to July 31, 1960	94,903,083
(b) Barley otherwise acquired ¹	1,370
(c) Purchased from 1958-59 Pool Account —Barley	14,271,338
Total barley acquired	<u>109,175,791</u>

	(Value)	(Value)
2. Cost of barley acquired		\$ 97,463,064
3. Proceeds of sales—August 1, 1959 to March 30, 1961	\$89,453,647	
Transferred to 1960-61 Pool Account as at March 30, 1961 ²	16,832,290	106,285,937
4. Gross surplus as at March 30, 1961		8,822,873
5. Operating costs—August 1, 1959 to March 30, 1961:		
(a) Carrying charges, including terminal storage	6,508,078	
(b) Interest and bank charges	241,414	
(c) Freight recovery on export barley ...	(831,822)	
(d) Diversion charges on export barley .	135,812	
(e) Drying charges	235,398	
(f) Brokerage and Clearing Association charges	12,355	
(g) Administrative and general expenses	439,553	6,740,788
6. Surplus on operations of the Board on 1959-60 Pool Account—Barley, for the period August 1, 1959 to March 30, 1961		\$ 2,082,085

¹ Purchases from non-producers at the Board's initial prices basis in store Fort William/Port Arthur.

² For details of transfer see above.

The CHAIRMAN: If there are no questions, we will proceed to No. 3, Operating Costs.

Mr. EARL:

3. Operating Costs

Net operating costs applicable to the 1959-60 Barley Pool were \$6,740,788. The principal item in operating costs was carrying charges amounting to \$6,508,078, or 6.8576 cents per bushel on producers' deliveries to the Pool. Net interest and bank charges were \$241,414. Diversion charges on barley shipped to the Pacific Coast for export were \$135,812. Freight recoveries on West Coast export shipments amounted to \$831,822. Drying charges amounted to \$235,398. Brokerage and Clearing Association charges applicable to the Pool were \$12,355. Administrative and general expenses amounted to \$439,553 or .4632 cent per bushel on producers' deliveries of 94,903,083 bushels.

Mr. MUIR (*Lisgar*): What are the freight recoveries?

Mr. McNAMARA: We buy the barley basis in store Fort William-Port Arthur. In the case of wheat, the initial payment is based at Vancouver, Fort William and Port Arthur. However, oats and barley, are bought basis in store, Fort William. Therefore, on the barley we ship to the west coast, we pick up the freight differential. It is bought basis, Fort William. There is a saving in freight which we pick up from the elevator companies, and this goes into this account.

Mr. KORCHINSKI: What is the rate of interest charged?

Mr. McNAMARA: We do not charge the interest. The companies, under the handling agreement, borrow from the banks, and we pay the interest. At the present time the board is paying on our direct borrowings an interest of 5 per cent. It was reduced from 5½ per cent to 5 per cent, and the country elevator companies, as agents of the board, are borrowing at the rate of 5½ per cent.

Mr. KORCHINSKI: Who absorbs the other ½ per cent?

Mr. McNAMARA: We pay the 5½ per cent in the carrying charge rate; however, on our direct borrowings from the bank, we only pay them 5 per cent—that is, from June 1st.

Mr. HORNER (*Acadia*): In connection with these west coast shipments and the buying of barley at Fort William prices, say the barley was bought at Vancouver or Pacific coast prices; then, the farmers living in that area where the freight haul would be the shortest, would get a little more for their barley in their initial payments.

Mr. McNAMARA: In the case of barley that can be sold for shipment out of the west coast, yes. However, all the barley is not in that position, and barley that moves east has to be sold at the Fort William price.

This is a question which has been discussed particularly by the Alberta growers over the last number of years. In some years it is possible to ship and sell substantial quantities of barley out of the west coast; however, in other years, the bulk of the barley has to move against a differential. A similar situation applies at Churchill. In certain areas we can ship there at a reduced rate, and some of the people in the Churchill area figure they should get all their wheat bought basis Churchill differential. Unfortunately, the volume of business originating out of Churchill and out of the west coast this year is lower. I think our shipments have been only about 19 million bushels so far this crop year. There is a relatively small proportion that is bought in Alberta.

Mr. SOUTHAM: Under "Operating Costs" I notice you have a figure of \$235,398 for drying charges. That seems to be a relatively small charge in spite of its being a damp year in 1959-60.

Mr. McNAMARA: This only applies to the barley. There are the drying charges on wheat and oats, in addition.

Mr. SOUTHAM: How many bushels of barley would that represent?

Mr. McNAMARA: I think we could probably give you a figure of the quantity of barley that was dried.

Mr. EARL: In the 1959-60 pool account the total quantity of barley dried was 4,408,148 bushels.

Mr. SOUTHAM: In a normal year you would not have too much of an expense in this connection.

Mr. McNAMARA: No; normally, we do not have too much barley or wheat to dry. Last year was an abnormal year for all grains, as far as drying was concerned.

Mr. SOUTHAM: Approximately how much per bushel did it cost?

Mr. McNAMARA: Basis wheat, if I recollect correctly, there was an initial payment spread of 15 cents a bushel. On damp, not tough, it was 15 cents a bushel. The average drying charge worked out to 7 cents. It was not all artificially dried. In connection with tough, the discount between straight grade and tough worked out to 4 cents a bushel. We absorb some of it for what we call pencil drying. We absorb some of it for what we call pencil drying. But when damp barley comes to the dryer we take a shrinkage loss into consideration, and it comes to 15 cents a bushel or slightly less than that.

Mr. SOUTHAM: It is a pretty expensive process when you have to deal with it like that.

Mr. McNAMARA: Oh yes.

Mr. MANDZIUK: In the case of your dried grain, whichever it is, barley or wheat, do you make a profit on it?

Mr. McNAMARA: No.

Mr. SOUTHAM: You buy from the farmer at a certain grade for damp or tough?

Mr. McNAMARA: That is right.

Mr. SOUTHAM: And does your grade improve with drying?

Mr. McNAMARA: In the case of damp wheat, we buy it at a 16 cent discount under the straight grade price. In the actual drying calculation, we calculate a shrinkage loss, and it goes out at about 15 cents a bushel less; so we reflect the difference in the final payment to the producer. The producer who delivers tough or damp grain, gets a payment which represents the actual cost to the pool of conditioning that tough or damp grain.

Mr. SOUTHAM: I repeat my question; does the grain improve after drying?

Mr. McNAMARA: When you take the moisture out of it—let us say you have damp No. 3 northern; with careful drying it will become straight No. 3 northern, and may be sold as straight No. 3 northern after drying.

Mr. MUIR (*Lisgar*): Do you get a premium on early season barley?

Mr. McNAMARA: We get a premium on barley selected by the maltsters, be they Canadian or American maltsters and usually they buy at this time in the year. The heavy interest at the present time is in barley for malting purposes, because the quality of our new crop is very much in doubt. So therefore the maltsters are trying to buy up all the old crop that is available.

Mr. MUIR (*Lisgar*): Do you find there is a demand in the early market for barley in the early harvest season?

Mr. McNAMARA: They come in and cover themselves for early shipment. We normally sell substantial quantities of malting barley in August and September.

Mr. KORCHINSKI: Where do we export the malting barley?

Mr. McNAMARA: The export market is primarily the United States; that is our largest malting barley market.

Mr. KORCHINSKI: What amount do we export to the United States?

Mr. McNAMARA: Last year we exported about 9 million bushels to the United States. This year we are running from 7 million to 8 million, and I think it will be about 9 million or 10 million bushels.

Mr. KORCHINSKI: What do we normally use up in Canada?

Mr. McNAMARA: We use up in Canada between 15 million to 16 million bushels.

Mr. KORCHINSKI: Are there any other countries to which we sell substantial quantities of malting barley?

Mr. McNAMARA: Not for malting purposes; there is a limited market for barley for distilling purposes in the United Kingdom, but it is a small market.

Mr. MUIR (*Lisgar*): Do you still get the bulk of your malting barley from Manitoba?

Mr. McNAMARA: No; it is pretty well divided among the three provinces; I am thinking of northern Saskatchewan at the moment, and even Alberta grows some malting barley.

Mr. GUNDLOCK: I want to go back to wheat, if I may.

The CHAIRMAN: Will you please hold your questions until we come to the wheat account?

Mr. McNAMARA: I am advised that I was wrong in my answer. The only exemption was the exemption on seed grain. The deduction is on malting barley.

Mr. HORNER (*Acadia*): Even if it is over the quota?

Mr. McNAMARA: Yes, that is right.

Mr. MANDZIUK: Your advisers are right.

Mr. McNAMARA: I admit defeat.

Mr. HORNER (*Acadia*): I do not give up that easy.

Mr. McNAMARA: I think we had better amend the act.

Mr. HORNER (*Acadia*): I wonder if there is not some merit to it. A number of farmers have complained to me that once they have taken out a cash advance on their wheat, then because they have some malting barley—this farmer had something like 20,000 bushels of wheat at home in his granary, but he delivered a carload of malting barley over and above the quota, and the elevator agent wanted to take it off the cash advance he had received. He had no reason to do it, because he said he had oodles of wheat at home to cover it. I wonder if there is not some merit to his claim.

Mr. MANDZIUK: They would have to screen every borrower.

Mr. HORNER (*Acadia*): You take your cash advance according to what grain you take it out upon. It is 50 cents on wheat, and 30 cents on oats, and so on; and if you take it out on wheat, I do not see why on an over-quota shipment of malting barley a deduction should be made on that. Now, I want to ask another question, if there is no further answer to my first question. May a person in a position like that—let us say, a person who has wheat at home to cover a \$3000 cash advance, and he ships a carload of malting barley, and they make a deduction from that which would not cover the \$3000, but practically eat into it quite a ways—could he then renew his cash advance?

Mr. McNAMARA: I would like our solicitor to deal with that question.

Mr. H. R. MONK, Q.C. (*Solicitor, Canadian Wheat Board*): A short answer is no, we cannot.

Mr. HORNER (*Acadia*): That is the very point.

Mr. MONK: They are deducted from the amount which he is eligible to receive, that is, monies that he has received from grain already delivered; so if he has already delivered malting barley, the other sections of the statute provide that they will deduct the amount he has received, so there will be nothing left which we could advance him.

Mr. HORNER (*Acadia*): I am afraid that I do not follow you. Perhaps I am more than usually stupid this morning.

Mr. MONK: The limit that a person may receive as a cash advance is \$3000 less what he has already delivered, that is, less the grain he has already delivered. The principle of the statute is to allow some money to people who are not able to deliver grain. If he has delivered grain, other than under his unit quota, the amount that he receives for the grain is deducted from the amount he is then eligible to borrow, or to get under the cash advance. So if he has already received money, that money is taken from, or deducted from the limit he could receive later as cash advance. The practical effect is that if he has once delivered a carload of malting barley, he probably is not eligible for a cash advance.

Mr. HORNER (*Acadia*): That is the very point I am trying to establish. I point out to the committee that this might stand looking into. In other words, a farmer may obtain, provided he has the grain, a \$3000 cash advance, but when that is used up, through sales of wheat, he cannot in any way obtain another cash advance, whether or not he has grain in storage.

Mr. McNAMARA: That is right. Section 7 subsection 2 of the "Prairie Grain Advance Payments Act" reads as follows:

(2) The quantity of grain in respect of which an advance payment may be made to a producer shall not exceed the quantity that would be deliverable under the applicant's current permit book on a quota of six bushels per specified acre minus the quantity of grain delivered to the board under general acreage quotas by the applicant prior to his application and during the crop year in which the application is made.

If he delivers under the quota, that amount will be deducted from the amount he will later receive.

Mr. HORNER (*Acadia*): If a farmer has delivered, let us say, 6000 bushels of wheat, and then applies for a cash advance, he could not have it?

Mr. McNAMARA: No, that is right.

Mr. ROGERS: To come back to this original query of Mr. Horner's, I think that if a man takes out an advance on wheat and then subsequently sells a carload of malting barley there is no reason why that advance should be taken out of that barley. I really think there is some merit in this. On the other hand, if he took out an advance on barley and then he sells a carload of malting barley, there is some sense to that.

Mr. KORCHINSKI: Would there not be a little difficulty here. In taking out your cash advance you state that you have a certain amount of grain. You do not know whether or not that barley will go malting. You would normally say that you have it for sale and then some time after obtaining the cash advance you might find that it will go malting. I do not see how this money can be recoverable if you do not do this.

Mr. ROGERS: You miss the whole point of this.

Mr. KORCHINSKI: No.

Mr. HORNER (*Acadia*): He is taking an advance on his wheat.

Mr. ROGERS: And then subsequently he sells a carload of malting barley. There is no reason why the advance should be paid out of the malting barley. He still has the wheat.

Mr. NASSERDEN: You are trying to raise the \$3,000 limit.

Mr. HORNER (*Acadia*): No; we are trying to encourage diversification. A farmer can go ahead and grow his wheat to cover his acreage; but if he grows malting barley and gets an over-quota permit to sell it, this should be a cash crop the same as flax or any other thing. He is growing this and has paid particular attention to the way he has harvested his crop, so that it would go malting. He should be able to receive the money from it rather than have it eaten into by what he has borrowed on his 6,000 bushels of wheat. It is in the fall of the year that there is most of the demand for barley. He has paid particular attention to the way he has harvested it and he wants to get some cash in the fall, so he goes and takes the advance on the 6,000 bushels of wheat and after he has done this he has an opportunity to sell a carload of barley. This does not bring him in any further cash; it just cuts into the cash he has already received. I think that a carload of barley sold over and above quota should not interfere with the advance the farmer has taken out on wheat.

The CHAIRMAN: Does this not come under the regulations in respect of cash advances to western farmers? I do not think it is up to the wheat board to amend those regulations; it is up to the government to amend the regulations.

Mr. HORNER (*Acadia*): I have one further question on this point. Am I right that on wheat a farmer borrows an amount up to fifty cents a bushel on his stored wheat?

Mr. MONK: Yes. He indicates on the form what he has in store and the advance is made in respect of that; but he undertakes to deliver the grain as soon as he can. The deduction is made from all the grain he delivers until it is paid.

Mr. HORNER (*Acadia*): What can he borrow on oats and barley.

Mr. MONK: The maximum is set out in the statute.

Mr. HORNER (*Acadia*): I want it clearly put into the record.

Mr. MONK: It is in the statute. He gets fifty cents a bushel on wheat, twenty-five cents a bushel on oats and thirty-five cents a bushel in the case of barley. This is repaid by deduction of one-half the initial payment on any grain he delivers after that until it is repaid.

Mr. HORNER (*Acadia*): This is the point I want to establish. When a farmer takes out a cash advance he signifies what he is taking it out on.

Mr. MONK: He signifies what he has in store on his farm.

Mr. HORNER (*Acadia*): If he has wheat, he is allowed fifty cents a bushel cash advance.

Mr. MONK: This question was under consideration when the statute was drawn. I think the decision was that it should be deducted from all grain, because it would put the elevator agent in a very difficult position if he had to select which grain it would be deducted from.

Mr. HORNER (*Acadia*): But when a farmer takes a cash advance, does he not signify what grain he has in storage.

Mr. MONK: Yes; he shows what he has on the farm.

Mr. HORNER (*Acadia*): If he has 6000 bushels of wheat in storage, he can take a \$3000 cash advance from the elevator company?

Mr. MONK: Provided he could deliver that under the six bushel quota.

Mr. HORNER (*Acadia*): Yes; but if he then sells an overquota load of barley it is a pure cash crop. That is probably the reason why he has taken this land out of wheat.

Mr. MONK: The statute requires that it be deducted.

Mr. MANDZIUK: I see merit in his cash payment being deducted out of the proceeds of the carload of malting barley, but I see no merit in refusing a farmer another cash advance if he has 6000 bushels, or whatever amount, of wheat on his premises.

Mr. McNAMARA: I think that as the chairman pointed out this is not wheat board legislation. We only act as administrators.

Mr. MANDZIUK: But you make the regulations.

Mr. McNAMARA: No. This is outside of our jurisdiction. We only act for the crown on this.

The CHAIRMAN: I think it has been pointed out that you want these regulations changed. I would then suggest that you proceed through the proper authorities to have the regulations changed.

Mr. HORNER (*Acadia*): Would the same situation of which I have spoken this morning in respect of malting barley also apply in the sale of flax, for instance?

Mr. McNAMARA: No; flax is not included in the statute.

Mr. HORNER (*Acadia*): Or rapeseed or other things?

Mr. McNAMARA: No.

The CHAIRMAN: As item No. 4, surplus for distribution to producers, is a table, shall we take it as read?

Agreed.

3. Operating Costs

Net operating costs applicable to the 1959-60 barley pool were \$6,740,788. The principal item in operating costs was carrying charges amounting to \$6,508,078, or 6.8576 cents per bushel on producers' deliveries to the pool. Net interest and bank charges were \$241,414. Diversion charges on barley shipped to the Pacific coast for export were \$135,812. Freight recoveries on west coast export shipments amounted to \$831,822. Drying charges amounted to \$235,398. Brokerage and clearing association charges applicable to the pool were \$12,355. Administrative and general expenses amounted to \$439,553 or .4632 cent per bushel on producers' deliveries of 94,903,083 bushels.

4. Surplus for Distribution to Producers

The surplus in the 1959-60 barley pool for distribution to producers was as follows:

Surplus on operations of the board as at March 30, 1961 ..	\$2,082,085
Deduct: Prairie Farm Assistance Act levy ..	\$20,426
Cost of issuing final payment	<u>49,072</u>
	69,498
	<u>2,012,587</u>
Add: Additional interest earned after	
March 30, 1961	<u>9,584</u>
Surplus for final distribution to producers	<u>\$2,022,171</u>

As shown by the preceding table the final surplus for distribution to producers was \$2,022,171. On producers' marketings of 94,903,083 bushels, the average final payment was 2.131 cents per bushel.

The following table shows initial payments, final payments and prices realized by producers (basis in store Fort William/Port Arthur) for the principal grades of barley delivered to the board in 1959-60 after deducting board operating costs, including carrying charges in country and terminal elevators and board administrative expenses:

	Initial Payment ¹	Final Payment ¹	Realized Price ¹
	(cents per bushel)		
No. 2 C.W. Six-Row.....	98	2.195	100.195
No. 3 C.W. Six-Row.....	96	2.195	98.195
No. 4 C.W. Six-Row.....	88	1.195	89.195
No. 2 C.W. Two-Row.....	91	7.195	98.195
No. 3 C.W. Two-Row.....	88	3.695	91.695
No. 1 Feed.....	87	1.194	88.194
No. 2 Feed.....	83	4.000	87.000
No. 3 Feed.....	76	8.220	84.220
Tough No. 3 C.W. Six-Row.....	92	2.195	94.195
Tough No. 3 C.W. Two-Row.....	84	3.695	87.695
Tough No. 1 Feed.....	83	1.194	84.194
Tough No. 2 Feed.....	79	4.000	83.000
Tough No. 3 Feed.....	72	8.220	80.220

¹Prior to deduction of Prairie Farm Assistance Act levy.

The final payment on the 1959-60 barley pool was approved by order in council P.C. 1961-563, April 20, 1961. The issuance of the final payment cheques to producers commenced on April 20, 1961 and was completed on April 28, 1961.

Mr. ROGERS: I see the item here cost of issuing final payment \$49,072. How is that made up?

Mr. EARL: That includes all the costs incidental to the payment, such as the cost of the cheques, postage, and the services of the people engaged in that particular operation.

Mr. MANDZIUK: Are they not permanent employees?

Mr. EARL: Yes; but their services are split between the various operations they perform, and we cost it in that way.

The CHAIRMAN: No. 5, purchases and sales.

Mr. EARL:

5. Purchases and Sales

The following table shows board purchases and net sales of barley, by months, and stocks of barley held by the board at the end of each month for the account of the 1959-60 pool:

	Purchases	Sales	Unsold Stocks
		(bushels)	
August, 1959.....	1,091,141	20,018,689	(18,927,548)
September.....	6,403,184	626,613	(13,150,977)
October.....	9,862,869	3,831,630	(7,119,738)
November.....	9,485,726	1,020,469	1,345,519
December.....	8,952,951	79,265	10,219,205
January, 1960.....	5,542,020	36,386	15,724,839
February.....	4,723,024	38,529	20,409,334
March.....	17,890,662 ¹	12,554,563 ¹	25,745,433
April.....	4,535,613	3,349,595	26,931,451
May.....	8,096,552	9,951,638	25,076,365
June.....	9,803,450	179,962	34,699,853
July.....	22,786,511	8,333,080	49,153,284
August.....	—	6,972,447	42,180,837
September.....	—	9,361,333	32,819,504
October.....	—	809,573	32,009,931
November.....	—	1,540,076	30,469,855
December.....	—	3,743,204	26,726,651
January, 1961.....	—	15,846,363	10,880,288
February.....	—	7,338,163	3,542,125
March.....	—	3,542,125 ²	—
	109,173,703	109,173,703	

¹Includes 14,271,338 bushels of cash grain purchased from the 1958-59 pool account and the sale of 11,703,000 bushels of futures to the 1958-59 pool account.

²Includes 18,521,396 bushels of cash grain sold to 1960-61 pool account and the purchases of 16,268,000 bushels of futures from the 1960-61 pool account; the net sale being 2,253,396 bushels.

Prior to and during August, 1959, the board entered into sales contracts for 20.0 million bushels of malting grades of barley, the grades to be delivered to purchasers from selected carlots shipped from country stations in August and succeeding months. Further sales were made on the same basis at later dates during the crop year.

For the period from August 1, 1959 to March 4, 1960, sales of feeding grades of barley were for the account of the 1958-59 pool, apart from small sales of specific grades of barley which could not be supplied by the 1958-59 pool.

During the period from March 7, 1960 to March 30, 1961 the market for feeding grades of barley was supplied mainly from the 1959-60 pool account. Substantial sales of barley were made for the opening of navigation in 1960. Sales were relatively heavy from July through September in response to the increased demand experienced at that time, both for current consumption and for the provision of winter stocks of barley in eastern positions. The 1959-60 pool was closed as at the close of business on March 30, 1961.

Mr. KORCHINSKI: I have one question in respect of the allocation of box-cars for malting barley. Are we given preference in the shipment of malting barley over the spotting of cars at elevators?

Mr. McNAMARA: We do not actually allocate them; however, the producer submits a sample to his company which is handling it, and if it is accepted by the maltster or exporter, we issue a permit for the over-quota delivery. On the issuance of it, we authorize the railway company to supply a car for the delivery of a shipment of that barley. Normally, the movement of malting

barley is preferenced but, from time to time, we change our instructions to the trade regarding the preference. We might have Durum as first, and malting barley as second preference. In general, the procedure is to preference the movement of the malting barley.

Mr. KORCHINSKI: It depends upon your order of priority.

Mr. McNAMARA: Yes.

The CHAIRMAN: No. 6, Pricing, is next.

Mr. EARL:

6. Pricing

The following table shows monthly average quotations for No. 1 Feed Barley, together with high and low prices recorded each month from August 1, 1959 to March 30, 1961. All prices are basis in store Fort William/Port Arthur.

	High	Low	Average
	(cents per bushel)		
August, 1959.....	94½	91	93½
September.....	94½	93½	94
October.....	96½	93½	95½
November.....	97½	93½	95½
December.....	96½	92½	93
January, 1960.....	97½	95½	96½
February.....	97½	94	95½
March.....	96½	93	95½
April.....	97	95½	96½
May.....	100½	96½	98½
June.....	99½	95½	98½
July.....	97½	96	96½
August.....	99	97½	98½
September.....	102	98	99½
October.....	108	101½	104½
November.....	102½	93	95½
December.....	93½	92½	93
January, 1961.....	95	93	93½
February.....	96½	95½	95½
March.....	96½	93½	95½

Board asking prices for No. 1 Feed Barley fluctuated between a low of 91 cents per bushel in August, 1959, and a high of \$1.08 per bushel in October, 1960. From August, 1959 through July, 1960 asking prices fluctuated within narrow limits and showed a slight upward trend. The market was relatively strong during September-November, 1960, but worked to lower levels during the balance of the selling period of the 1959-60 Pool.

The CHAIRMAN: Are there any questions?

Mr. MUIR (*Lisgar*): How do you set your fluctuation with your price throughout the year? How do you arrive at that?

Mr. McNAMARA: As you know, in merchandising oats and barley, we use the Winnipeg futures market. We sell it basis in store Fort William and utilize the services of the futures market. So, on the fluctuation of that market, as well as the cash spreads, we set the premiums and discounts, and that is how we determine our asking price.

Mr. MUIR (*Lisgar*): Is that done with flax?

Mr. McNAMARA: We do not handle flax at all; just oats and barley, not wheat.

Mr. SOUTHAM: Would this market fluctuation be based on the fact that a certain amount of our barley stocks was under the snow, with the result that the increase in price would be related to that potential visible supply which was still under the snow?

Mr. McNAMARA: To a degree, and also the stocks available in Fort William at that time.

Mr. EARL:

7. General Comment

For the crop year 1959-60 exports of barley, excluding barley products, reached a total of 58 million bushels. However, with the crop year 1960-61 a sharp decline occurred in exports of barley to the United Kingdom and to other destinations. From August 1, 1960 to March 30, 1961 exports of barley to European destinations declined to 7.1 million bushels as compared with 25.2 million bushels during the corresponding period of the previous crop year. The decline was due to the availability of European supplies of barley at relatively low prices and alternative feedstuffs, particularly corn, being offered freely and cheaply. Lack of exports to Europe and the low prices prevailing in European markets had an adverse effect on the 1959-60 Pool Account during the final eight months of its selling period.

From the export standpoint, the sale of 12.1 million bushels in January, 1961 for delivery to the People's Republic of China was constructive.

Domestic demand for barley in the period from August 1, 1959 to March 30, 1961 was well maintained.

Of total sales of 108,978,766 bushels, 47,713,000 bushels were sold in the futures market.

The CHAIRMAN: Are there any questions?

Mr. PASCOE: Are the exports to the People's Republic of China going ahead on schedule?

Mr. McNAMARA: Yes. We have delivered all the barley under the first contract, and we are now delivering barley against a second contract.

Mr. PASCOE: How about the European situation this year?

Mr. McNAMARA: As the board, we are not optimistic about the European demand for feeding stuffs this year. You remember that last year, due to adverse weather conditions, the winter wheat crop in Europe was considerably reduced, and this spring a lot of this acreage was put into barley and feeding stuffs, rather than spring wheat. Coupled with the low quality of some of the wheat that is available, the heavy subsidies being paid by the Americans on the export of barley and oats, the very low price of American corn which is going into that market, the competition which is being met by the French, Russians and others, the feed grain market in Europe is pretty well demoralized. We are not at all optimistic about the demand for Canadian feed stuffs in Europe for the coming year.

Mr. PASCOE: So your contract with China was very helpful?

Mr. McNAMARA: Very, very helpful.

Mr. SOUTHAM: With respect to our local situation, the prospects are that if we have a short crop it possibly would keep the local farm market fairly strong for local grain.

Mr. McNAMARA: Yes. If the crop deterioration continues, we are not going to have any surplus feed in Canada.

Mr. SOUTHAM: Are the prospects that barley will strengthen in price this year?

Mr. McNAMARA: Well, to a degree, although the price of competitive feed stuffs, such as American corn imported into Canada, will have an offsetting influence in this regard.

Mr. HORNER (Acadia): How much corn was imported into Canada last year?

Mr. McNAMARA: I have not a final figure, but I think it was around 12 million bushels.

Mr. MUIR (*Lisgar*): What is the breakdown in your domestic sales of barley in connection with feed and malting?

Mr. McNAMARA: About 40 per cent of the barley that is taken into the pool is selected barley. It is just a little under that. In bushels, last year, I think we approved somewhere around 38 million on the over-quota basis.

Mr. MUIR (*Lisgar*): Where is the bulk of your domestic barley sold?

Mr. McNAMARA: Eastern Canada and the B.C. feeding market.

Mr. RAPP: Have we any No. 5 and No. 6—feed wheat, in storage now?

Mr. McNAMARA: No, we cleaned out the bins of any low-grade wheat. Even our No. 4 is getting in short supply.

Mr. SOUTHAM: In respect to the short crop prospect in western Canada due to our present climatic conditions, are you going to take a look at this situation and retain sufficient stocks in western Canada to meet the feed demands there?

Mr. McNAMARA: We have had situations like this in the past, and where the people in a community feel there is going to be a shortage of grain, and they would like to retain supplies of feeding grades or supplies for seeding purposes, the board will make arrangements with the elevator companies and the local municipality; and if the municipality will agree to pay the cost of carrying the grain until it is determined that it is needed, we will allow it to be held in these elevators. This will be an expense of the local administration, and it will be necessary for them to make arrangements with the particular company where they want the stocks held to pick up the carrying charges and pay for the cost of storing it until they determine whether they want to purchase it for local distribution. The minister or ourselves will be announcing a policy in this regard within the next day or so.

Mr. SOUTHAM: This policy does not indicate that the board is going to relax its efforts to sell export wheat.

Mr. McNAMARA: No. We still have a considerable volume of wheat, and will be pressing for sales of it.

Mr. BOULANGER (*Interpretation*): Yesterday, Mr. McNamara, you produced a list—and the date is the 18th of November, 1960—in respect of oats, wheat and barley laid down in Toronto, Montreal and other points. Is there any particular reason why you chose the 18th of November?

Mr. McNAMARA: Yes; that was the high of the market. That was a period in which the board's asking prices were at its highest level. In fairness to the committee, we thought we should give an estimate of the laid down cost on the basis of the highest market that prevailed last fall, as well as the current situation.

Mr. BOULANGER: In October, a month before, was that price not higher than in November?

Mr. McNAMARA: The November 18th date was calculated, on the basis of the price in effect on the close of navigation, when the highest freight charges prevailed—when the heavy movement from the Lakehead is going into eastern positions for the winter supplies.

Mr. BOULANGER: Would it be possible to give figures to the committee for September and October?

Mr. McNAMARA: Yes. Our prices are published daily, and for each day of the year. However, these charges will be relatively the same, except that the cost in November, toward the close of navigation, is slightly higher than in October. Freight rates go up towards the close of navigation.

Mr. BOULANGER: It would be interesting for the committee to have the prices for September and October in the record.

Mr. McNAMARA: We would be pleased to file for a year or for any period the board's selling price in store the Lakehead for these grades. We have them for every day of the year, and we can make available any period you wish. Would you like it for the whole year?

Mr. BOULANGER: Say, the middle of September and the middle of October.

The CHAIRMAN: Is it agreed that the tables be produced for 15th of September and the 15th of October?

Some Hon. MEMBERS: Agreed to.

The CHAIRMAN: If there are no further questions, that completes the operations of the barley account.

Mr. EARL: Mr. Boulanger, the figures which you requested are:

	Sept. 15, 1960	Oct. 14, 1960
No. 5 Wheat	\$1.47	\$1.49 $\frac{3}{4}$
No. 1 Feed Oats .....	.81 $\frac{1}{4}$	.80 $\frac{1}{4}$
No. 1 Feed Barley .....	.99	1.08

Mr. BOULANGER (*Interpretation*): I would like to bring up once again the importance related to the price of grain. There have been briefs submitted by the farmers of the Saguenay area—the co-operative union of the Saguenay and the U.C.C. of the Saguenay, and they complain that they are paying more for feed grain in the Lac Saint-Jean area than in Montreal, because of the subsidies. They would like to acquaint the board with the fact that they feel they are under undue discrimination.

Mr. McNAMARA: Do I understand you are referring to the freight assistance?

Mr. BOULANGER: Yes.

Mr. McNAMARA: Of course, this is not administered by the board.

Mr. BOULANGER: I know it is not under the wheat board, but I wanted to tell the committee what is going on. They are paying 36 cents per 100 pounds more than the farmers from Quebec are paying, and I think there is discrimination. They built a large storage house a few years ago, and they told me last year they imported 9,000 hogs from the Quebec district, as they did not have enough hogs to supply the demand in this area.

Mr. HORNER (*Acadia*): What district?

Mr. BOULANGER: The Lac Saint-Jean Saguenay district.

The CHAIRMAN: Well, we have your comments on the record.

We now will turn back to page one in the supplementary report—the pool account, wheat. Before we proceed with that, Mr. Earl promised yesterday that he would obtain some information for several members. I think perhaps Mr. Earl could explain what results he has obtained in endeavouring to get this information. Mr. Riddel, as well, has some information.

Mr. W. RIDDEL (*Assistant Chief Commissioner, the Canadian Wheat Board*): Mr. Chairman, there are two questions with which I would like to deal. One was in connection with the special purchase of 40,019 bushels of oats, shown here at page 8. 40,000 bushels represents oats purchased from producers by one of the grain companies on a non-board basis for re-sale as commercial seed oats to other producers within the province of Alberta. The company was unable to dispose of the oats on that basis, and was given permission by the board to dispose of it outside the province. This involved delivery of the oats to the board at the initial payment price, and it was repurchased from

the board at its selling price. The item is shown as a special purchase as no producer's certificates were issued in connection with the transaction. The remaining balance of 19 bushels represents the purchase of samples.

There was another question raised by Mr. Milligan in connection with the cost of Argentine oats laid down in Montreal. We have not been able to obtain the information; however, we will try to get it and will file it with the clerk of the committee as soon as possible.

Mr. HORNER (*Acadia*): There is one other question on which I would like to obtain an answer, and it is with regard to the cost to the wheat board of the stop-overs that the railways charge to these interior terminal elevators.

Mr. McNAMARA: We will be pleased to file detailed information with the secretary in this regard.

Mr. EARL: I have the answer right here. The stop-over charge to the pools was \$166,965.

Mr. HORNER (*Acadia*): That is fine, that is what I wanted. That is to both railways?

Mr. McNAMARA: That is right.

Mr. HORNER (*Acadia*): It is spread evenly about, is it not?

Mr. EARL: No, I would not think so.

Mr. HORNER (*Acadia*): I just wanted to see what Donald Gordon was making. It is an exhorbitant charge.

The CHAIRMAN: Now, we shall turn to page 1.

Mr. EARL:

1959-60 Pool Account—

Wheat Receipts and Disposition

RECEIPTS:

Receipts of wheat in the 1959-60 Pool were 528,254,968 bushels.* This total includes 377,444,166 bushels delivered by producers between August 1, 1959 and July 31, 1960; an additional 2,314, 966 bushels acquired from others than producers; and 158,495,836 bushels transferred from the 1958-59 Pool to the 1959-60 Pool as at May 20, 1960.

*Total receipts were adjusted upward by 79,485 bushels as compared with receipts shown on Page 7 of the Annual Report of The Canadian Wheat Board for 1959-60.

DISPOSITION OF STOCKS

The disposition of stocks of wheat in the 1959-60 Pool, including completed sales, weight losses in transit and in drying, and stocks transferred from the 1959-60 Pool to the 1960-61 Pool as at May 26, 1961, is shown in the following table:

	Bushels
Domestic sales	67,041,392
Export sales on a Class II basis	68,172,075
Export sales under the terms of the	
International Wheat Agreement	243,091,906
Weight losses in transit and in drying	2,136,948
	<hr/>
	380,442,321
Transfer to the 1960-61 Pool Account—	
Wheat	147,812,647
	<hr/>
Total	528,254,968

Export and domestic sales (including weight losses) from the 1959-60 Pool amounted to 380,442,321 bushels. Of these export sales, 243,091,906 bushels were sold under the terms of the International Wheat Agreement. Domestic sales were 67,041,392 bushels. In closing the 1959-60 Pool Account, 147,812,647 bushels were transferred to the 1960-61 Pool Account, thereby accounting for a total disposition of 528,254,968 bushels for the account of the 1959-60 Pool.

Priced open sales contracts and unsold stocks in the Pool as at May 26, 1961 were transferred to the 1960-61 Pool Account. The transfer was authorized by Order in Council.

The following table shows the principal grades of wheat transferred to the 1960-61 Pool Account as at May 26, 1961:

Grade (Including Toughs)	Bushels
No. 1 Manitoba Northern	9,054,610
No. 2 Manitoba Northern	92,730,121
No. 3 Manitoba Northern	28,349,615
No. 4 Manitoba Northern	12,175,486
Other grades	5,502,815
Total	<u>147,812,647</u>

Stocks transferred from the 1959-60 Pool to the 1960-61 Pool amounted to 147,812,647 bushels. Priced open sales contracts were transferred to the 1960-61 Pool at contract prices. Remaining unsold stocks (including unpriced open sales contracts) were transferred to the 1960-61 Pool at the Board's quoted prices as at the close of business on May 26, 1961. In pricing unsold stocks of wheat the Board estimated the volume of these stocks which would be sold basis Board quoted prices (a) in store Fort William/Port Arthur, (b) in store Vancouver, and (c) in store Churchill. On the basis of this estimate unsold stocks of wheat were transferred at the Board's quoted prices for these three positions. In respect to the transfer the Board did not consider it necessary to make provision for subsequent market risk. Carrying charges subsequent to the date of transfer were fully provided for from funds allocated to the 1960-61 Pool under the Temporary Wheat Reserves Act.

Mr. RAPP: I take it that the 67 million bushels for domestic sale was not only for human consumption but included all kinds of domestic use.

Mr. McNAMARA: Yes, it also included wheat for feeding purposes.

Mr. RAPP: Do you have a breakdown of how much was sold for domestic human consumption?

Mr. McNAMARA: We have the figure showing the amount of grist to the mills, but this figure includes Ontario and other wheats, as well as western wheat.

Mr. RAPP: Could you indicate approximately what percentage was for human consumption, and what percentage was for other purposes?

Mr. McNAMARA: I think Mr. Riddel can give you some information on this.

Mr. RIDDEL: During the crop year 1959-60, the quantity of wheat used in Canada for human food was 56,491,000 bushels.

Mr. RAPP: Of which approximately 11 million went for purposes other than human consumption?

Mr. KORCHINSKI: What determines, or how would you go about determining the date on which the pool is transferred?

Mr. McNAMARA: Under the provisions of our act for the transfer, when the board is of the opinion that we have reached the point where out future commitments are such that we might close out the pool, we have the authority to do so under the act. It is a matter of judgment of the board. We have tried to close it out at about the same time each year, but this year the barley pool sales were so slow we have had to keep it open for about two months longer than normal.

Mr. GUNDLOCK: What is this 147 million bushels here? Is that wheat you have now?

Mr. McNAMARA: No. That was wheat that has been delivered to the 1959-60 pool account, including the quantity which had been transferred from the 1958-59 account that was unsold as at May 26. We purchased it from the old pool and transferred it to the new pool on that date.

Mr. GUNDLOCK: I suppose there is a total of the pool here some place.

Mr. McNAMARA: Yes. You will find it is shown under receipts and disposition as follows:

1959-60 Pool Account—Wheat

1. Receipts and Disposition

RECEIPTS

Receipts of wheat in the 1959-60 Pool were 528,254,968 bushels. This total included 377,444,166 bushels delivered by producers between August 1, 1959 and July 31, 1960; an additional 2,314,966 bushels acquired from others than producers; and 148,495,836 bushels transferred from the 1958-59 Pool to the 1959-60 Pool as at May 20, 1960.

Does that give you what you wanted, Mr. Gundlock?

Mr. GUNDLOCK: In your total disposition you have totals of everything but the 147 million bushels.

Mr. McNAMARA: That is right. We had 528 million bushels in the pool, and it was disposed of except for 147 million bushels which were transferred into the new pool.

Mr. GUNDLOCK: What is in the new pool?

Mr. McNAMARA: Grain which was delivered from August 1 1959, until July 31st of last year.

Mr. GUNDLOCK: That is what I was after. This is all the wheat you have until the new crop year comes along.

Mr. McNAMARA: We are running a year behind.

Mr. GUNDLOCK: You have last year's crop.

Mr. McNAMARA: Yes, plus this.

Mr. GUNDLOCK: Then what is the total of last year's crop?

Mr. McNAMARA: Up until June 14th, 297.6 million bushels of wheat had been delivered in this new pool. And in addition to that, we will have receipts between now and the end of July to be added to that.

Mr. GUNDLOCK: How much do you have in the terminals?

Mr. McNAMARA: The 297 million bushels are in country elevators, and our stocks in commercial position for wheat at the present time are as follows: we have in store, commercial position, as at June 14th, 397.8 million bushels of wheat. That is in country terminal elevators in Canada, off the farm.

Mr. HORNER (*Acadia*): I wonder if Mr. McNamara would explain what he means by export sales class II basis?

Mr. McNAMARA: Those are sales under the international wheat agreement to non-member countries. Russia would be included in them, as well as China.

Mr. HORNER (*Acadia*): You have sales of 68 million bushels, and then of 243 million bushels. Adding these together would put you over the 300 million bushel mark for sales, if my addition is correct, but we did not have 300 million bushels of export sales.

Mr. McNAMARA: This was during the pool period. This is not just the crop year, but up to the time we close the pool.

Mr. HORNER (*Acadia*): I see, I get it.

Mr. PASCOE: My question has been pretty well answered by the reply given to Mr. Gundlock. But on the disposition of dockage, on that basis these figures do not jive with the sales figures on page 12 of the other report. It is the same title, but with different information.

Mr. McNAMARA: The other report is up to July 31, 1960. This is up to the closing of the pool, on May 26, 1961.

The CHAIRMAN: Might I suggest that paragraph 2 on page 2 be tabled and accepted as read?

Agreed.

2. 1959-60 Pool Account—Wheat

The following table shows the operating results of the 1959-60 Pool Account from August 1, 1959 to the closing date of the Pool, May 26, 1961:

	Bushels	
1. Wheat acquired by the Board:		
(a) Producers' deliveries, August 1, 1959 to July 31, 1960.....	377,444,166	
(b) Wheat otherwise acquired ¹	2,314,966	
(c) Purchases from 1958-59 Pool Account.....	148,495,836	
Total wheat acquired.....	528,254,968	
	(Value)	(Value)
2. Cost of wheat acquired.....		\$729,647,762
3. Proceeds of sales—August 1, 1959 to May 26, 1961. Transferred to the 1960-61 Pool Account as at May 26, 1961 ²	\$597,966,860 244,403,337	842,370,197
4. Gross surplus as at May 26, 1961.....		112,722,435
5. Operating costs—August 1, 1959 to May 26, 1961:		
(a) Carrying charges on wheat stored in country elevators.....	42,865,821	
(b) Storage on wheat stored in terminal elevators.....	15,990,678	
(c) Net interest paid on Agency wheat stocks..	6,043,786	
Less: Carrying charges received under the Temporary Wheat Reserves Act.....	64,900,285 48,545,687	
Net carrying charges paid.....	16,354,598	
(d) Bank interest, Board inter-account interest, exchange and bank charges.....	6,400,947	
(e) Additional freight (net).....	450,868	
(f) Handling, stop-off and diversion charges...	588,370	
(g) Drying charges.....	2,838,659	
(h) Administrative and general expenses.....	2,288,108	
		28,921,550
6. Surplus on operations of the Board on 1959-60 Pool Account—Wheat, for the period August 1, 1959 to May 26, 1961.....		\$ 83,800,885

¹ Net bushels acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices, basis in store Fort William/Port Arthur or Vancouver.

² For details of transfer see Page 1.

Mr. GUNDLOCK: I would like to ask my perennial question about carrying charges for wheat stored in country elevators. We just heard a figure given a while ago. What are carrying charges and storage charges?

Mr. McNAMARA: The storage is the rate of storage that we pay; it is 1/30th of a cent per bushel per day. The carrying charges include the cost of financing the grain, with bank interest paid to the banks, as well as the storage. Carrying charges include storage and interest. Storage is just storage.

Mr. GUNDLOCK: Actually then, it is just storage, and charges connected with it?

Mr. McNAMARA: No. The companies make earnings on interest, but they in turn must pay it to the banks. We in turn pay them, while they pay it to the bank.

Mr. GUNDLOCK: They have to pay interest?

Mr. McNAMARA: Yes, on country stocks, yes. They borrow money from the bank and pay interest to the bank, and we include it in our carrying charge; we include the same rate of interest that they pay to the banks.

Mr. GUNDLOCK: May I have an answer to the question this year the same as I had previously, three years ago? It was 11.9 on a percentage basis, and I got into an argument with one of the pool men here. I am afraid I must apologize at the moment because I have ten stitches in my thumb.

The CHAIRMAN: Would you please come up to the front of the room, Mr. Gundlock?

Mr. GUNDLOCK: Very well. I think Mr. Earl recognizes what I am after here.

Mr. McNAMARA: You had better read it, Mr. Earl. Is this the information you wanted?

Mr. GUNDLOCK: Yes, but I would like to have the percentage in the record; in other words, the earnings of the elevators on the wheat stored in country elevators. Three years ago it was 11.9. It was a point or two off two years ago, and it was a point or two off last year.

Mr. McNAMARA: We have the information.

Mr. GUNDLOCK: All right I will get it from you later.

Mr. EARL: I do not have that percentage calculated in that way.

Mr. McNAMARA: We will file this information now.

THE CANADIAN WHEAT BOARD

1959-60 POOL ACCOUNTS—WHEAT, OATS, BARLEY
 PERCENTAGE COMPARISON OF BOARD OPERATING COSTS TO THE TOTAL OPERATING COSTS FOR EACH
 OF THE POOL ACCOUNTS INDICATED

	Wheat	Oats	Barley
Total operating costs as per the Board's Supplementary Report.....	\$77,467,237.00	\$ 1,796,529.00	\$ 6,740,788.00
<i>Storage:</i>			
Storage portion of country carrying charges.....	\$28,625,881.00	\$ 1,203,844.00	\$ 4,285,271.00
Terminal and Mill storage.....	15,990,678.00	180,943.00	845,812.00
	\$44,616,559.00	\$ 1,384,787.00	\$ 5,131,083.00
	57.59%	77.08%	76.12%
<i>Interest:</i>			
Interest portion of country carrying charges.....	\$14,239,940.00	\$ 240,191.00	\$ 1,376,995.00
Bank interest and bank charges, etc.....	6,400,947.00	(2,032.00)	241,414.00
Interest on Agency wheat stocks.....	6,043,786.00		
	\$26,684,673.00	\$ 238,159.00	\$ 1,618,409.00
	34.45%	13.26%	24.01%
All other operating costs including Board administrative expenses.....	\$ 6,166,005.00	\$ 173,583.00	\$ (8,704.00)
	7.96%	9.66%	(.13%)
	\$77,467,237.00	\$ 1,796,529.00	\$ 6,740,788.00
	100.00%	100.00%	100.00%
<i>Less: Funds paid by the Government of Canada for carrying charges (storage and interest) under the provisions of the Temporary Wheat Reserves Act..</i>	\$48,545,687.00 62.67%	Not Applicable	Not Applicable
Total costs payable by producers.....	\$28,921,550.00	\$ 1,796,529.00	\$ 6,740,788.00
	37.33%	100.00%	100.00%

Statement "B"

THE CANADIAN WHEAT BOARD

1959-60 POOL ACCOUNTS—WHEAT, OATS, BARLEY

RETURN TO THE PRODUCER BASIS EACH DOLLAR VALUE OF GRAIN SOLD

	Wheat	Oats	Barley
Basic Sales Value.....	\$ 1.00	\$ 1.00	\$ 1.00
<i>Deduct:</i> Rail freight payable by the producer to the Railway Companies ¹.....	.0584	.0759	.0900
	.9416	.9241	.9100
<i>Deduct:</i> Payments to Elevator Companies			
Handling Charges ¹.....	.0202	.0367	.0402
Storage Charges.....	.0530	.0614	.0483
	.0732	.0981	.0885
	.8684	.8260	.8215
<i>Deduct:</i> Payments to the Banks Interest Charges.....	.0318	.0106	.0152
	.8366	.8154	.8063
<i>Deduct:</i> Payments for all other charges, including Board Administrative expenses.....	.0073	.0077	(.0001)
	.8293	.8077	.8064
<i>Add:</i> Funds paid by the Government of Canada under the Temporary Wheat Reserves Act.....	.0576	.....	.....
	.8869	.8077	.8064
Therefore for every one dollar value of grain marketed in the 1959-60 Pool Accounts the producer received.....	88.69 cents	80.77 cents	80.64 cents

¹ Paid by producers

THE CANADIAN WHEAT BOARD

1959-60 POOL ACCOUNTS—WHEAT, OATS, BARLEY
 Percentage Comparison of Costs Paid by Producers and The Canadian Wheat Board Related
 to Total Sales Value

	Wheat	Oats	Barley
Receipts from producers in the 1959-60 Pool Accounts (Bushels).....	377,444,166.0	23,660,976.0	94,903,083.0
Sales value of the total quantity of grain sold in the 1959-60 Pool Accounts.....	\$ 842,370,197.00	\$ 22,522,129.00	\$ 106,285,937.00
<i>Elevator Companies handling charge paid by producers:</i>			
4½ cents on 377,444,166.0 bushels.....	\$ 16,984,987.00	—	—
3½ cents on 23,660,976.0 bushels.....	—	\$ 828,134.00	—
4½ cents on 94,903,083.0 bushels.....	—	—	\$ 4,270,639.00
	2.02%	3.67%	4.02%
<i>Railway freight charges basis an average freight rate for deliveries by producers (paid by producers):</i>			
13.035 cents on 377,444,166.0 bushels.....	\$ 49,199,847.00	—	—
7.23 cents on 23,660,976.0 bushels.....	—	\$ 1,710,689.00	—
10.08 cents on 94,903,083.0 bushels.....	—	—	\$ 9,556,231.00
	5.84%	7.59%	9.00%
<i>Storage (paid by the Board):</i>			
Storage portion of country carrying charges...	\$ 28,625,881.00	\$ 1,203,844.00	\$ 4,285,271.00
Terminal and Mill storage.....	15,990,678.00	180,943.00	845,812.00
	\$ 44,616,559.00	\$ 1,384,787.00	\$ 5,131,083.00
	5.30%	6.14%	4.83%
<i>Interest and Bank Charges (paid by the Board):</i>			
Interest portion of country carrying charges...	\$ 14,359,878.00	\$ 240,191.00	\$ 1,376,995.00
Interest and bank charges.....	6,400,947.00	(2,032.00)	241,414.00
Interest on Agency wheat stocks.....	6,043,786.00	—	—
	\$ 26,804,611.00	\$ 238,159.00	\$ 1,618,409.00
	3.18%	1.06%	1.52%
All other charges paid by the Board, including the Board's administrative expenses.....	\$ 6,166,005.00	\$ 173,583.00	\$ (8,704.00)
	.73%	.77%	(.01%)
Total costs paid by the Board as per the Supplementary Report.....	\$ 77,587,175.00	\$ 1,796,529.00	\$ 6,740,788.00
	9.21%	7.97%	6.34%
Funds received from the Government of Canada under the Temporary Wheat Reserves Act...	\$ 48,545,697.00	—	—
	5.76%		
Net Board operating costs payable by producers basis percentage of sales values.....	\$ 29,041,488.00	\$ 1,796,529.00	\$ 6,740,788.00
	3.45%	7.97%	6.34%

The CHAIRMAN: Are there any further questions on No. 2?

Mr. PASCOE: In respect of storage charges, I have a list of what the Alberta and the Saskatchewan wheat pools got. How is the figure arrived at?

Mr. McNAMARA: It is the amount they are holding in stock for us. If the Alberta wheat pool took in thirty million bushels and carried it for us, we would pay them on the amount they carried each month.

Mr. PASCOE: They receive a percentage on what they carry?

Mr. McNAMARA: No. They are paid on the total stocks they are carrying for our account. The 178 million is not related to this calculation. They get storage charges on the actual amount of grain they have in storage for our account.

Mr. KORCHINSKI: Is this paid on the basis of any particular day of the month?

Mr. McNAMARA: It is paid at the end of each month.

Mr. KORCHINSKI: On the grain they have stored at the end of that month?

Mr. McNAMARA: Yes.

The CHAIRMAN: Gentlemen, we have fifteen minutes left this morning. Would the committee be agreeable to take each of these paragraphs as read, as we come to them, and then ask questions on them? In that way there is a possibility we might finish up our work by 11 o'clock this morning.

Agreed.

The CHAIRMAN: No. 3, application of the Temporary Wheat Reserves Act.

3. Application of the Temporary Wheat Reserves Act

In each crop year during the effective period of the legislation, the Government of Canada provides funds for carrying charge purposes to the extent that the quantity of wheat upon which the Board is paying carrying charges on August 1 of each crop year is in excess of 178 million bushels on the basis of the carrying charge rates in effect immediately prior to August 1 of each crop year. On August 1, 1960 the quantity of wheat upon which the Board was paying carrying charges was 454,830,452 bushels.* This figure exceeded the basic stocks of 178,000,000 bushels by 276,830,452 bushels. Therefore, during the crop year 1960-61 the Government of Canada paid carrying charges on the latter quantity of wheat. The rate of carrying charges paid was .04991 cents per bushel per day. Funds paid or to be paid to the Board under the Temporary Wheat Reserves Act during the crop year 1960-61 amounted to \$50,430,619. The Board recommended and the Governor in Council approved the following allocation of these funds between the two operating Pool Accounts:

1959-60 Pool Account	\$37,352,386
1960-61 Pool Account	13,078,233
Total	<u>\$50,430,619</u>

The allocation of funds in 1960-61 was made on the same basis as in the previous crop year. Since stocks of wheat in the 1959-60 Pool remained in excess of 276,830,452 bushels from August 1, 1960 to January 30, 1961, all funds accrued under the Temporary Wheat Reserves Act were applied to the 1959-60 Pool Account between these dates. From January 31, 1961 to the date of the closing of the 1959-60 Pool Account on May 26, 1961 funds were allocated to the 1959-60 Pool on the basis of average wheat stocks for this period in relation to the total wheat stocks upon which carrying charges were paid under the Act. Subsequent to May 26, 1961 and up to July 31, 1961 all funds received under the Act are for the account of the 1960-61 Pool Account.

The 1959-60 Wheat Account received the following allocations under the Temporary Wheat Reserves Act:

Crop Year 1959-60	\$11,193,301
Crop Year 1960-61	37,352,386
Total	<u>\$48,545,687</u>

From August 1, 1955 to July 31, 1961 funds provided under the Temporary Wheat Reserves Act have been allocated to Pool Accounts for wheat in the following amounts:

1954-55 Pool Account	\$ 23,230,623
1955-56 Pool Account	29,191,306
1956-57 Pool Account	33,137,107
1957-58 Pool Account	39,574,057
1958-59 Pool Account	42,959,442
1959-60 Pool Account	48,545,687
1960-61 Pool Account	13,078,233
Total	<u>\$229,716,455</u>

*Confirmed by Order in Council P.C. 1960-1762, December 22, 1960.

The CHAIRMAN: No. 4, surplus for distribution to producers.

4. Surplus for Distribution to Producers

As shown in the operating statement on Page 2, the surplus on the 1959-60 Pool Account—Wheat, as at May 26, 1961 was \$83,800,885 before providing for the interim payment authorized by Order in Council P.C. 1961-195, February 13, 1961.

The interim payment involved the distribution of \$37,744,417 and was in the amount of 10 cents per bushel on all grades of wheat delivered by producers to the 1959-60 Pool.

After allowing for the interim payment, the Prairie Farm Assistance Act levy on the interim and final payments, the cost of issuing the final payment, and estimated interest earnings subsequent to May 26, 1961, the net final surplus for distribution to producers was \$45,297,017 as shown in the following table:

Surplus on operations of the Board as at May 26, 1961	\$83,800,885
Deduct: Interim payment	<u>37,744,417</u>
	46,056,468
Deduct: Prairie Farm Assistance Act levy \$838,802	
Cost of issuing final payment	<u>168,744</u>
	1,007,546
	<u>45,048,922</u>
Add: Estimated additional interest earned from May 26, 1961 to date of distribution	<u>248,095</u>
Balance for final distribution to producers	<u>\$45,297,017</u>

On producers' deliveries of 377,444,166 bushels, the average final payment was 12.001 cents per bushel. The distribution of final payment cheques to producers was authorized by Order in Council.

The CHAIRMAN: No. 5, comments on the 1959-60 pool account—wheat.

5. Comments on the 1959-60 Pool Account—Wheat

Operating costs incurred by the Board in the period from August 1, 1959 to May 26, 1961 applicable to the 1959-60 Pool were \$28,921,550, after crediting funds paid to the Board by the Government of Canada under the provisions of the Temporary Wheat Reserves Act. Operating costs consisted of the following:

(a) Carrying Charges—\$16,354,598

Total carrying charges incurred by the Board, including storage and interest charges on wheat in country and terminal elevators and in

mill positions were \$64,900,285. These carrying charges amounted to 17.1947 cents per bushel on producers' marketings of 377,444,166 bushels. Of the funds received from the Government of Canada under the Temporary Wheat Reserves Act, the sum of 48,545,687 was allocated to the 1959-60 Pool Account, or the equivalent of 12.8617 cents per bushel on producers' deliveries to the Pool. After applying these funds the actual carrying charges paid by the Board for producers' account amounted to \$16,354,598 or 4.3330 cents per bushel.

(b) *Net Interest, Exchange and Bank Charges, etc.*—\$6,400,947

This item comprises bank interest, exchange and bank charges, and interest paid to or received from other Board accounts.

(c) *Additional Freight (Net)*—\$450,868

This item consists chiefly of additional freight paid on wheat shipped from Saskatchewan stations to the Pacific Coast against the Fort William/Port Arthur freight differential and on low-grade wheat shipped from Alberta stations to the Lakehead. The item also includes freight credits on wheat shipped to Churchill.

(d) *Handling, Stop-off and Diversion Charges*—\$588,370

These charges were incurred in shipping wheat to interior terminals for storage and in diverting wheat for shipment to Churchill.

(e) *Administrative and General Expenses*—\$2,288,108

Administrative and general expenses of the Board applicable to the 1959-60 Pool Account were the equivalent of .6062 cent per bushel on producers' marketings of 377,444,166 bushels.

Mr. HORNER (*Acadia*): Would Mr. McNamara bring us up to date on the amount of wheat already exported this year, including flour?

Mr. McNAMARA: As at June 14, our export clearances of wheat, including flour, amounted to 301.2 million bushels. This compares to 244.3 million bushels at the same date last year.

Mr. HORNER (*Acadia*): We are over the 300 million bushel mark as of June 14.

Mr. McNAMARA: Yes.

Mr. HORNER (*Acadia*): This is very welcome news indeed.

Mr. NASSERDEN: What is the situation in respect of flour now on the international market?

Mr. McNAMARA: The future in respect of the export of flour is far from encouraging. There is a definite trend in many of these countries, which formerly used to import flour, to establish their own mills. While we are still doing a reasonably substantial export in the neighbourhood of 36 million bushels this crop year, we are not optimistic that we can bring this business up. It is a declining market insofar as the export of flour is concerned.

Mr. SOUTHAM: You say that up to June 14, we have sales of 301 million bushels. What do you project as to future possibilities.

Mr. McNAMARA: These are not sales; they are actually clearances. It is pretty difficult to give a definite figure. A lot will depend on the way the boats operate between now and the end of the crop year. I am satisfied, however, that our exports will exceed 340 million bushels and probably will finish in the neighbourhood of 345 million bushels. I cannot give you a definite figure, but I think it will be 345 million bushels by July 31.

Mr. SOUTHAM: I would also like to comment that this is a very optimistic situation.

Mr. McNAMARA: Yes. It will be one of our largest export years. Naturally we are prepared to take some of the credit for it, but we have had full cooperation from the various departments of government including the two ministers we have worked under. The Department of Trade and Commerce and our trade commissioners are very active. I think that this year will be very satisfactory from our viewpoint. In fairness to the committee, I should point out that this has been an abnormal year in the movement of wheat in international markets. The United States exports will be in the neighbourhood of 565 million bushels; Australia will have the largest movement on record; the Argentine position is very satisfactory. Therefore, while we are quite happy with our movement, it must be appreciated that there has been an abnormal wheat movement in the international wheat market this year.

Mr. SOUTHAM: I think Mr. McNamara and his board should be complimented on taking full advantage of the situation. They have achieved a very good record so far as this crop year is concerned.

The CHAIRMAN: No. 6, realized prices.

6. Realized Prices

The following table shows initial payments, interim payments, final payments and total prices realized by producers for the principal grades of wheat delivered to the 1959-60 Pool Account basis in store Fort William/Port Arthur or Vancouver, after deduction of net operating costs, including carrying charges, interest and administrative expenses:

	Initial Payment ¹	Interim Payment ¹	Final Payment ¹	Realized Price ¹
(dollars per bushel)				
RED SPRING WHEAT GRADES				
No. 1 Manitoba Northern.....	1.40	.10	.08999	1.58999
No. 2 Manitoba Northern.....	1.36	.10	.08863	1.54863
No. 3 Manitoba Northern.....	1.32	.10	.09790	1.51790
No. 4 Manitoba Northern.....	1.25	.10	.12397	1.47397
No. 5 Wheat.....	1.08	.10	.21309	1.39309
No. 6 Wheat.....	1.02	.10	.26060	1.38060
Feed Wheat.....	.96	.10	.30837	1.36837

	Initial Payment ¹	Interim Payment ¹	Final Payment ¹	Realized Price ¹
(dollars per bushel)				
AMEER DURUM GRADES				
No. 1 C.W. Amber Durum.....	1.40	.10	.18417	1.68417
No. 2 C.W. Amber Durum.....	1.36	.10	.18644	1.64644
No. 3 C.W. Amber Durum.....	1.32	.10	.20689	1.62689
Extra No. 4 C.W. Amber Durum..	1.29	.10	.23689	1.62689
No. 4 C.W. Amber Durum.....	1.25	.10	.23219	1.58219
No. 5 C.W. Amber Durum.....	1.08	.10	.21309	1.39309
No. 6 C.W. Amber Durum.....	1.02	.10	.26060	1.38060

¹ Prior to deduction of Prairie Farm Assistance Act levy.

The CHAIRMAN: No. 7, board quoted prices—1959-60 pool.

7. Board Quoted Prices—1959-60 Pool

The selling operations in respect to the 1959-60 Pool covered the period of approximately one year extending from May 24, 1960 to May 26, 1961. During this period the Board continued to quote separate selling prices for wheat basis in store Fort William/Port Arthur, basis in store Pacific Coast ports and basis in store Churchill. The following table

shows monthly average Board asking prices for No. 1 Northern Wheat basis in store the positions as indicated for the marketing period of the 1959-60 Pool:

Monthly Average Asking Prices No. 1 Northern			
	Ft. Wm./Pt. Ar.	Vancouver	Churchill
	(dollars per bushel)		
May 24-31, 1960.....	1.69 $\frac{1}{2}$	1.76 $\frac{1}{2}$	1.77 $\frac{1}{2}$
June.....	1.68 $\frac{1}{2}$	1.75	1.76 $\frac{1}{2}$
July.....	1.66 $\frac{1}{2}$	1.74 $\frac{1}{2}$	1.75 $\frac{1}{2}$
August.....	1.65 $\frac{1}{2}$	1.72 $\frac{1}{2}$	1.73 $\frac{1}{2}$
September.....	1.65 $\frac{1}{2}$	1.73 $\frac{1}{2}$	1.73 $\frac{1}{2}$
October.....	1.65	1.75 $\frac{1}{2}$	1.73 $\frac{1}{2}$
November.....	1.64 $\frac{3}{4}$	1.74 $\frac{1}{2}$	1.72 $\frac{1}{2}$
December.....	1.65 $\frac{1}{2}$	1.76	1.73 $\frac{1}{2}$
January, 1961.....	1.67 $\frac{1}{2}$	1.77 $\frac{1}{2}$	1.75 $\frac{1}{2}$
February.....	1.67 $\frac{3}{4}$	1.75 $\frac{1}{2}$	1.75 $\frac{1}{2}$
March.....	1.67	1.75 $\frac{1}{2}$	1.75 $\frac{1}{2}$
April.....	1.67 $\frac{1}{2}$	1.75 $\frac{1}{2}$	1.75 $\frac{1}{2}$
May 1-26.....	1.67	1.75 $\frac{1}{2}$	1.75 $\frac{1}{2}$

As shown by the foregoing table Board asking prices for No. 1 Northern Wheat fluctuated within narrow limits during the selling period of the 1959-60 Pool Account. Price changes were largely in terms of adjustments to the exchange value of the Canadian dollar and adjustments as between Board selling prices for wheat basis in store Fort William/Port Arthur and basis in store Vancouver. Asking prices for wheat in store Vancouver and Churchill continued to reflect lower forwarding costs to overseas destinations as compared with shipments from the Lakehead via St. Lawrence ports and Atlantic Maritime ports.

The Board continued to quote daily prices for wheat c.i.f. St. Lawrence ports and to provide for the quotation of prices at intermediate Seaway ports as required.

Reflecting grade availabilities in relation to demand, important changes were made in discounts for No. 2 Northern, No. 3 Northern and No. 4 Northern Wheat relative to asking prices for No. 1 Northern. The selling discount for No. 2 Northern Wheat was increased from 4 $\frac{1}{2}$ to 5 cents per bushel in June, 1960, and continued at this spread until February, 1961, when the discount was reduced to 4 cents per bushel. In March, the selling discount for No. 2 Northern Wheat was narrowed to 3 cents per bushel and remained at this level until the closing date of the Pool. During the selling period of the 1959-60 Pool the discount for No. 3 Northern Wheat was narrowed at intervals from 9 cents per bushel to 5 cents per bushel. Similarly, the selling discount for No. 4 Northern Wheat narrowed from 14 cents per bushel in May, 1960 to 7 cents per bushel in March, 1961. In the final month of the Pool this discount was widened to 10 cents per bushel. Selling discounts applicable to No. 5 and No. 6 Wheat were also narrowed.

During the selling period of the 1959-60 Pool an active demand developed for Durum grades of wheat. The following table shows monthly average Board asking prices for No. 1 Canada Western Amber Durum, together with the high and low prices recorded monthly for the period from May 24, 1960 to May 26, 1961:

	High	Low	Average
	(dollars per bushel)		
May.....	1.80 $\frac{7}{8}$	1.80 $\frac{1}{4}$	1.80 $\frac{1}{2}$
June.....	1.80 $\frac{1}{4}$	1.79	1.79 $\frac{1}{2}$
July.....	1.79 $\frac{3}{8}$	1.76 $\frac{7}{8}$	1.78 $\frac{5}{8}$
August.....	1.78 $\frac{1}{2}$	1.74 $\frac{1}{2}$	1.76 $\frac{5}{8}$
September.....	1.79	1.77 $\frac{1}{2}$	1.77 $\frac{1}{2}$
October.....	1.79 $\frac{3}{4}$	1.78 $\frac{3}{4}$	1.79 $\frac{1}{8}$
November.....	1.79 $\frac{1}{8}$	1.78 $\frac{1}{8}$	1.78 $\frac{1}{8}$
December.....	1.82 $\frac{1}{2}$	1.78 $\frac{1}{2}$	1.80
January, 1961.....	1.82 $\frac{1}{2}$	1.81 $\frac{1}{2}$	1.82
February.....	1.82 $\frac{5}{8}$	1.81 $\frac{1}{2}$	1.82 $\frac{1}{2}$
March.....	1.84 $\frac{1}{2}$	1.82 $\frac{1}{2}$	1.83 $\frac{1}{2}$
April.....	1.85 $\frac{1}{4}$	1.83 $\frac{3}{4}$	1.84 $\frac{5}{8}$
May.....	1.89 $\frac{1}{8}$	1.85 $\frac{5}{8}$	1.88 $\frac{5}{8}$

Board asking prices for No. 1 Canada Western Amber Durum fluctuated within narrow limits during the period from May through December; a period of heavy trading in Durum grades. Reflecting diminishing supplies of Durum grades of wheat, prices advanced steadily in the final five months of the Pool. During the selling period of the 1959-60 Pool, discounts under Board asking prices for No. 1 Amber Durum applicable to No. 2, No. 3, No. 4 and Extra No. 4 Canada Western Amber Durum were narrowed significantly.

Mr. McNAMARA: For the information of the committee I might mention that our final payment distribution started yesterday in Winnipeg and the cheques are now going out to the producers.

Mr. HORNER (*Acadia*): Over the year it has been the practice to quote prices fairly low for 5 and 6 wheat, and then when the final payment comes in most of the time there is a larger payment. This happened again this year. There was a larger payment for 5, 4 and 6 wheat. Do you not think it might be a little more advantageous to the farmers if they were quoted this higher price rather than having a big price spread in the initial price and having it made up at the end. The farmer would have a better understanding of where he stands.

Mr. McNAMARA: I cannot quite agree with you. I will take you back to five years ago. At that time we had very great difficulty in selling low grade wheats, which were in abundance, at a price which would result in any final payment. The fact is that now we are short of supplies, deliveries are relatively low and the demand is good; but, at the time of setting the initial payment it is pretty difficult to forecast what the quality of the new crop will be. Frost could give you an abundance of low grade wheat. In order to merchandise it, we would have to widen the spread considerably. I suggest it would be wrong to narrow these spreads before we know what the volume will be. If we over-pay, then the cost is borne by the producers who deliver the higher grade wheat.

Mr. HORNER (*Acadia*): This question has been asked several times and that is why I have brought it up.

The CHAIRMAN: We will go on to No. 8, exports, and No. 9, general comment.

8. Exports

The following table shows the exports of Canadian wheat and flour for the period from June, 1960 to May, 1961. This period corresponds approximately to the selling period of the 1959-60 Pool Account. Export statistics for the corresponding months of the previous year are also shown.

	1960-61 ¹	1959-60
	(Million bushels)	
June, 1960	24.4	30.9
July	17.6	19.8
August	26.9	24.5
September	29.7	25.6
October	25.1	26.3
November	28.2	32.9
December	24.0	24.3
January, 1961	21.0	16.6
February	24.1	20.0
March	26.2	20.8
April	34.5	19.5
May	45.9	25.0
	<hr/>	<hr/>
	327.6	286.2
	<hr/>	<hr/>

Exports of wheat (including flour) for the period from June, 1960 to May, 1961 were 327.6 million bushels as compared to 286.2 million bushels for the corresponding months of the previous year. In the period from May, 1960 through December, 1960 exports of wheat were comparable with exports of the previous year. Commencing in January, 1961, exports showed substantial increases over the corresponding months of the previous year and were exceptionally large in May, 1961.

¹ Subject to revision.

9. General Comment

The distribution of world wheat production in 1960 led to an increase in international trade in wheat. Both Eastern and Western Europe harvested smaller wheat crops and yields in Southern Europe were sharply lower than in the previous year. In addition, Europe experienced a wet harvest which reduced the quantities of domestic wheat available for milling. Drought again affected yields in the Middle East. Production was well maintained in Japan, India and Pakistan but was not sufficiently large to reduce deficits in the supply of bread grains. On balance, the deficit areas of the world collectively needed more wheat than in the previous crop year and, therefore, world trade for 1960-61 was estimated at a record of about 1,400 million bushels.

Wheat production in the main exporting countries increased, particularly in the United States. At the same time these countries had the advantage of larger market opportunities. This was particularly helpful to Canada, the United States and Australia. Argentina was not in a position to take advantage of increased demand because of a short crop.

Within the international pattern, as described, three developments were helpful to Canada. These were:

- (1) As a result of reduced availability of Durum Wheat in Europe, the Middle East and North Africa, a keen demand for this type of wheat arose in the summer of 1960 and continued steadily throughout the crop year. The demand was sufficient to justify open delivery quotas for Durums and during the June-May period, 1960-61, producers delivered about 30 million bushels. During the same months exports were about 39 million bushels. Thus, both the carried-over stocks of Durum Wheat and the surplus from the 1960 production found a ready market.

- (2) Early in 1961 the People's Republic of China entered the market for large quantities of Canadian and Australian wheat. In the five-month period from January, 1961 through May, 1961, export clearances of Canadian wheat to China amounted to 19.6 million bushels.
- (3) In addition to the foregoing special demands, traditional importing countries maintained the level of their imports.

As a result of these developments exports of Canadian wheat and flour for the first ten months of the crop year 1960-61 amounted to 285.6 million bushels as compared with 235.5 million bushels during the corresponding months of the previous crop year.

Mr. KORCHINSKI: I would like to ask Mr. McNamara to make one comment because of a ridiculous editorial which appeared in the *Globe and Mail*. I do not know why they do not stick just to advertising. The particular part of the editorial to which I refer says that the quality of Canadian wheat has gone down and the quality of foreign grown wheat especially has improved. Then they go on to say that we should reduce prices; that is the ridiculous part of it. Would Mr. McNamara make a comment on the quality of foreign grown wheat and also in respect of the new milling methods which were also mentioned in the article. Would he tell us how this affects our overall prospects?

Mr. McNAMARA: We attempted to answer part of this article yesterday in our statement regarding board pricing policy. It is quite obvious that the writer of this article knows nothing about international marketing. In respect of the statement about Canadian wheats deteriorating, the fact is completely the reverse. During the last few years the quality and the protein content of our wheat has been most satisfactory. Canadian wheat is appreciated and valued in every market of the world. I am satisfied that in nearly all countries, if millers were given freedom and allowed to purchase what they wanted, and were not forced to use indigenous wheats, we could materially increase the volume of our sales in these markets because our quality is appreciated. This is the one thing we have to sell which nobody else in the world has; they cannot compete with us. It is our valued asset.

Mr. KORCHINSKI: I would particularly like you to comment on the suggestion that because of new milling methods they can apparently use wheat which is not perhaps of as high a quality as ours.

Mr. McNAMARA: Most of this reference to new milling methods is propaganda put out by some of our competitors who are having difficulty competing in respect of quality. As I indicated, under our new marketing research development section, we are sending experts into the field to demonstrate how to use Canadian wheat to the best advantage. These specialists report that actually in the new methods of baking the quality of Canadian wheat is even more appreciated than it was under the old method.

Mr. BOULANGER: Last night you said that the eastern farmers were not organized in the buying of grain and were behind twenty-five years.

Mr. McNAMARA: At least.

Mr. BOULANGER: I would like to ask you what the wheat board could do to help the eastern farmers and what would be your recommendation?

Mr. McNAMARA: I think that the responsibility for the purchasing lies with the consumers. I do not think this is a responsibility of the board, except that as merchandisers of grain we are very interested in seeing that the eastern consumer buys to the best advantage and that the margin between the selling price of the board and the price the consumer has to pay is kept to a minimum. I believe that by more competent methods, such as purchasing or buying grain in volume and being sure it is moving under the most

economical routing, that in this way the margin can be narrowed considerably between what the western producer receives and the price which the eastern consumer is paying.

Mr. BOULANGER: Did you say that the Canadian federation of agriculture was ready to lend money?

Mr. McNAMARA: It is my understanding that western members of the federation have discussed this on occasion with the eastern members and have pointed out that they thought the eastern consumer could improve his purchasing methods. I was not there, so I cannot make the statement on any authority, but it is my understanding that the western representatives on one occasion agreed to assist in the financing of some facilities which they thought would be beneficial to the eastern consumers. I believe they said that they would go in with them as partners for a period of time. So far that invitation has not been accepted by the eastern consumers.

I think this is something which could be considered by the committee which the minister is going to appoint on which our board will be represented, along with three selected representatives from the eastern consumers.

Mr. BOULANGER: Would you recommend that the minister nominate men who would be bilingual?

Mr. McNAMARA: I certainly hope they would be bilingual, because I cannot speak French. I am sure you can have complete confidence that Mr. Hamilton will select a very competent representative of the eastern consumers to be associated with this advisory committee.

The CHAIRMAN: Gentlemen, before we wind up, we have to deal with the auditors report and the financial statement. It is agreed that these be accepted as read?

Agreed.

Auditor's Report
MILLAR, MACDONALD & CO.
Chartered Accountants

To The Canadian Wheat Board,
Winnipeg, Manitoba.

We have examined the Statements of Operations of The Canadian Wheat Board which set forth the results of the Board's operations on 1959-60 Pool Account—Wheat for the period from 1st August 1959 to 26th May 1961, 1959-60 Pool Account—Oats for the period from 1st August 1959 to 27th January 1961, and 1959-60 Pool Account—Barley for the period from 1st August 1959 to 30th March 1961, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Board, the accompanying Statements of Operations are properly drawn up so as to exhibit a true and correct view of the results of the operations of The Canadian Wheat Board on 1959-60 Pool Accounts—Wheat, Oats and Barley for the periods indicated above, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MILLAR, MACDONALD & CO.

Winnipeg, Manitoba,
16th June, 1961.

Chartered Accountants

THE CANADIAN WHEAT BOARD

1959-60 Pool Account—Wheat

STATEMENT OF OPERATIONS

For the period 1st August 1959 to 26th May 1961

	Bushels	Amount
Wheat acquired:		
Purchased from Producers at Board initial prices basis in store Fort William/Port Arthur or Vancouver.....	377,444,166	\$480,098,512
Net bushels acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Fort William/Port Arthur or Vancouver.....	2,314,966	3,078,815
Purchased from 1958-59 Pool Account—Wheat.....	148,495,836	246,470,435
	<u>528,254,968</u>	<u>\$729,647,762</u>
Wheat sold:		
Completed sales at realized prices basis in store Fort William/Port Arthur or Vancouver:		
Domestic.....	67,041,392	
Export sales at Class II prices.....	68,172,075	
Export sales under the terms of the International Wheat Agreement.....	243,091,906	
Sales to the 1960-61 Pool Account—Wheat.....	147,812,647	
Weight losses in transit and in drying.....	2,136,948	
	<u>528,254,968</u>	<u>842,370,197</u>
Surplus on wheat transactions.....		<u>112,722,435</u>
Deduct: Carrying costs, interest, administrative and general expenses, etc:		
Carrying charges:		
Carrying charges on wheat stored in country elevators.....	\$ 42,865,821	
Storage on wheat stored in terminal elevators and mills.....	15,990,678	
Net interest paid to agents on agency wheat stocks.....	6,043,786	
	<u>64,900,285</u>	
Less: Carrying charges received under the Temporary Wheat Reserves Act.....	48,545,687	
	<u>16,354,598</u>	
Bank interest, exchange and bank charges and net interest on other Board accounts.....	6,400,947	
Net additional freight on wheat shipped from country stations to terminal positions.....	450,868	
Handling, stop-off and diversion charges on wheat warehoused at interior terminals.....	588,370	
Drying charges.....	2,838,659	
Administrative and general expenses to 26th May 1961.....	2,288,108	
	<u>28,921,550</u>	
Surplus on operations of the Board on the 1959-60 Pool Account—Wheat, for the period 1st August 1959 to 26th May 1961.....		<u>\$ 83,800,885</u>

THE CANADIAN WHEAT BOARD

1959-60 Pool Account—Oats

STATEMENT OF OPERATIONS

For the period 1st August 1959 to 27th January 1961

	Bushels	Amount
Oats acquired:		
Purchased from Producers at Board initial prices basis in store Fort William/Port Arthur	23,660,976	\$ 12,968,891
Oats otherwise purchased at Board initial prices basis in store Fort William/Port Arthur	23,40,019	22,810
Purchased from 1959-59 Pool Account—Oats	5,311,436	3,862,790
	<u>29,012,431</u>	<u>\$ 16,854,491</u>
Oats sold:		
Completed sales at realized prices basis in store Fort William/Port Arthur	28,980,710	22,552,129
Weight losses in drying	31,721	
	<u>29,012,431</u>	<u>22,552,129</u>
Surplus on oats transactions		5,697,638
Deduct: Carrying costs, interest, administrative and general expenses, etc:		
Carrying charges:		
Carrying charges on oats stored in country elevators	\$ 1,444,035	
Storage on oats stored in terminal elevators	180,943	
	<u>1,624,978</u>	
Interest and bank charges	(2,032)	
Freight recovered on shipments of oats to Pacific Coast ports for export	(8,249)	
Drying charges	32,566	
Brokerage and Clearing Association charges	5,662	
Administrative and general expenses to 27th January 1961	143,604	
	<u>1,796,529</u>	
Surplus on operations of the Board on the 1959-60 Pool Account—Oats, for the period 1st August 1959 to 27th January 1961		<u>\$ 3,901,109</u>

THE CANADIAN WHEAT BOARD

1959-60 Pool Account—Barley

STATEMENT OF OPERATIONS

For the period 1st August 1959 to 30th March 1961

	Bushels	Amount
Barley acquired:		
Purchased from Producers at Board initial prices basis in store Fort William/Port Arthur	94,903,083	\$ 84,401,341
Barley otherwise purchased at Board initial prices basis in store Fort William/Port Arthur	1,370	1,064
Purchased from 1958-59 Pool Account—Barley	14,271,338	13,060,659
	<u>109,175,791</u>	<u>\$ 97,463,064</u>
Barley sold:		
Completed sales at realized prices basis in store Fort William/Port Arthur	90,457,370	89,453,647
Sales to 1960-61 Pool Account—Barley	18,521,396	16,832,290
Weight losses in drying	197,025	—
	<u>109,175,791</u>	<u>106,285,937</u>
Surplus on barley transactions		8,822,873
Deduct: Carrying costs, interest, administrative and general expenses, etc.:		
Carrying charges:		
Carrying charges on barley stored in country elevators	\$ 5,662,266	
Storage on barley stored in terminal elevators	845,812	
Interest and bank charges		6,508,078
Freight recovered on shipments of barley to Pacific Coast ports for export		241,414
Diversion charges on shipments of barley to Pacific Coast ports for export		(831,822)
Drying charges		135,812
Brokerage and Clearing Association charges		235,398
Administrative and general expenses to 30th March 1961		12,355
		<u>439,553</u>
Surplus on operations of the Board on the 1959-60 Pool Account—Barley, for the period 1st August 1959 to 30th March 1961		<u>6,740,788</u>
		<u>\$ 2,082,085</u>

The CHAIRMAN: Gentlemen, that concludes the annual report and the supplementary report of the Canadian wheat board. I am sure we have appreciated the reports which have been given us this year. We hope that the weather is more favourable for growing conditions out west than it has been in the past few weeks. We hope, Mr. McNamara, that when you get back you will find showers over the prairies.

APPENDIX "A"

COST OF MOVING FEED GRAINS INTO EASTERN POSITIONS

A—CENTRAL CANADA

	November 18, 1960			June 16, 1961		
	Oats	Barley	No. 5 Wheat	Oats	Barley	No. 5 Wheat
	(Cents per Bushel)			(Cents per Bushel)		
Bay Ports.....	8 $\frac{1}{4}$	8 $\frac{1}{4}$	8 $\frac{1}{8}$	7 $\frac{1}{2}$	7 $\frac{3}{4}$	8 $\frac{1}{8}$
Toronto.....	9 $\frac{3}{4}$	10 $\frac{1}{4}$	10 $\frac{1}{8}$	9 $\frac{1}{2}$	10	10 $\frac{1}{8}$
Prescott.....	10 $\frac{1}{2}$	11	11 $\frac{1}{8}$	10 $\frac{1}{4}$	10 $\frac{1}{2}$	11 $\frac{1}{8}$
Montreal.....	13 $\frac{1}{2}$	15 $\frac{3}{4}$	16 $\frac{1}{4}$	13	15 $\frac{1}{4}$	16 $\frac{1}{4}$

WESTERN FEED GRAINS INTO EASTERN POSITIONS
LAID DOWN COSTS

November 18, 1960

	November 18, 1960	
	Oats	Barley No. 5 Wheat (Cents per Bushel)
BAY PORTS:		
Board selling price in store Lakehead.....	70 $\frac{1}{2}$	150
Forwarding costs.....	8 $\frac{1}{2}$	8 $\frac{1}{2}$
Cost in store Bay elevators.....	79	101 $\frac{1}{2}$
Less—freight assistance.....	8 $\frac{1}{2}$	12
Laid down cost.....	70 $\frac{1}{2}$	89 $\frac{1}{2}$
TORONTO:		
Board selling price in store Lakehead.....	70 $\frac{1}{2}$	93 $\frac{1}{2}$
Forwarding costs.....	9 $\frac{1}{2}$	10 $\frac{1}{2}$
Cost in store Toronto elevators.....	80 $\frac{1}{2}$	103 $\frac{1}{2}$
Less—freight assistance.....	8 $\frac{1}{2}$	12
Laid down cost.....	72	91 $\frac{1}{2}$

November 18, 1960

	November 18, 1960	
	Oats	Barley No. 5 Wheat (Cents per bushel)
PRESCOTT:		
Board selling price in store Lakehead.....	70 $\frac{1}{2}$	150
Forwarding costs.....	10 $\frac{1}{2}$	11 $\frac{1}{2}$
Cost in store Prescott elevators.....	81 $\frac{1}{2}$	104 $\frac{1}{2}$
Less—freight assistance.....	8 $\frac{1}{2}$	12
Laid down cost.....	72 $\frac{1}{2}$	92 $\frac{1}{2}$
MONTREAL:		
Board selling price in store Lakehead.....	70 $\frac{1}{2}$	150
Forwarding costs.....	13 $\frac{1}{2}$	15 $\frac{1}{2}$
Cost in store Montreal elevators.....	84 $\frac{1}{2}$	109
Less—freight assistance.....	8 $\frac{1}{2}$	12
Laid down cost.....	75 $\frac{1}{2}$	97

June 16, 1961

	1 Feed Oats	1 Feed Barley	No. 5 Wheat
		(Cents per Bushel)	
	77	95 $\frac{3}{4}$	155 $\frac{3}{4}$
	7 $\frac{1}{2}$	7 $\frac{1}{2}$	8 $\frac{1}{2}$
	84 $\frac{1}{2}$	103 $\frac{1}{2}$	163 $\frac{1}{2}$
	8 $\frac{1}{2}$	12	15
	76	91 $\frac{1}{2}$	148 $\frac{1}{2}$
	77	95 $\frac{3}{4}$	155 $\frac{3}{4}$
	9 $\frac{1}{2}$	10	10 $\frac{1}{2}$
	89 $\frac{1}{2}$	105 $\frac{1}{2}$	165 $\frac{1}{2}$
	8 $\frac{1}{2}$	12	15
	78	93 $\frac{1}{2}$	150 $\frac{1}{2}$

June 16, 1961

	1 Feed Oats	1 Feed Barley	No. 5 Wheat
		(Cents per Bushel)	
	77	95 $\frac{3}{4}$	155 $\frac{3}{4}$
	10 $\frac{1}{2}$	10 $\frac{1}{2}$	11 $\frac{1}{2}$
	87 $\frac{1}{2}$	106 $\frac{1}{2}$	166 $\frac{1}{2}$
	8 $\frac{1}{2}$	12	15
	78 $\frac{1}{2}$	94 $\frac{1}{2}$	151 $\frac{1}{2}$
	77	95 $\frac{3}{4}$	155 $\frac{3}{4}$
	13	15 $\frac{1}{2}$	16 $\frac{1}{2}$
	90	111	171 $\frac{1}{2}$
	8 $\frac{1}{2}$	12	15
	81 $\frac{1}{2}$	99	156 $\frac{1}{2}$

B—MARITIME PROVINCES

	Revised Basis—(All Water)			Lake & Rail to Moncton		
	1 Feed Oats	1 Feed Barley	No. 5 Wheat	1 Feed Oats	1 Feed Barley	No. 5 Wheat
	(Cents per Bushel)			(Cents per Bushel)		
Board selling price in store						
Lakehead.....	77	95 $\frac{3}{4}$	155 $\frac{3}{4}$	77	95 $\frac{3}{4}$	155 $\frac{3}{4}$
Forwarding costs.....	16	19	20 $\frac{1}{2}$	13	15 $\frac{1}{4}$	16 $\frac{1}{4}$
All Water to Quebec City.....						
Freight to Moncton and Eleva- tion.....	93	114 $\frac{3}{4}$	175 $\frac{3}{4}$	90	111	171 $\frac{3}{4}$
	18 $\frac{3}{4}$	26 $\frac{3}{4}$	33	16 $\frac{3}{4}$	22 $\frac{3}{4}$	28 $\frac{3}{4}$
	74 $\frac{1}{4}$	88 $\frac{3}{4}$	142 $\frac{1}{8}$	109 $\frac{3}{4}$	133 $\frac{3}{4}$	200 $\frac{3}{4}$
Less—freight assistance*.....				23	32	41
Laid down cost.....				83 $\frac{3}{4}$	101 $\frac{1}{4}$	159 $\frac{3}{4}$
* 13.60 per ton						

WESTERN FEED GRAINS INTO EASTERN POSITIONS

LAI D DOWN COSTS

June 16, 1961

	1 Feed Oats	1 Feed Barley	No. 5 Wheat
	(dollars per ton)		
<i>Bay Ports:</i>			
Board selling price in store Lakehead.....	45.29	39.90	51.79
Forwarding costs.....	4.41	3.22	2.71
Cost in store Bay elevators.....	49.70	43.12	54.50
Less—freight assistance.....	5.00	5.00	5.00
Laid down cost.....	44.70	38.12	49.50
<i>Toronto:</i>			
Board selling price in store Lakehead.....	45.29	39.90	51.79
Forwarding costs.....	5.59	4.16	3.37
Cost in store Toronto elevators.....	50.88	44.06	55.16
Less—freight assistance.....	5.00	5.00	5.00
Laid down cost.....	45.88	39.06	50.16
<i>Prescott:</i>			
Board selling price in store Lakehead.....	45.29	39.90	51.79
Forwarding costs.....	6.03	4.37	3.71
Cost in store Prescott elevators.....	51.32	44.27	55.50
Less—freight assistance.....	5.00	5.00	5.00
Laid down cost.....	46.32	39.27	50.50
<i>Montreal:</i>			
Board selling price in store Lakehead.....	45.29	39.90	51.79
Forwarding costs.....	7.65	6.35	5.42
Cost in store Montreal elevators.....	52.94	46.25	57.21
Less—freight assistance.....	5.00	5.00	5.00
Laid down cost.....	47.94	41.25	52.21

B—MARITIME PROVINCES

Revised Basis—(All Water)

	1 Feed Oats	1 Feed Barley	No. 5 Wheat
	(dollars per ton)		
Board selling price in store Lakehead.....	45.29	39.90	51.79
Forwarding costs.....	9.41	7.92	6.83
Cost in store Maritime Port elevators.....	54.70	47.82	58.62
Less—freight assistance.....	11.00	11.00	11.00
Laid down cost.....	43.70	36.82	47.62

Lake and Rail to Moncton

	1 Feed Oats	1 Feed Barley	No. 5 Wheat
	(dollars per ton)		
Board selling price in store Lakehead.....	45.29	39.90	51.79
All Water to Quebec City.....	7.65	6.35	5.42
Freight to Moncton and elevation.....	52.94	46.25	57.21
	9.85	9.53	9.50
Less—freight assistance.....	62.79	55.78	66.71
	13.60	13.60	13.60
Laid down cost.....	49.19	42.18	53.11

APPENDIX "B"

STATEMENT RE FEED MILLS

On November 30th the Wheat Board announced the commencement of a new policy in respect to Feed Mills. In essence, the policy provided for the exemption of permit holders from delivery quota regulations insofar as they applied to their deliveries of feed grains to Feed Mills designated by the Board as "Non-Quota" Feed Mills.

The policy was not one which was decided hurriedly or without due consideration. The Board was influenced by its experience over the preceding several years in endeavouring to administer delivery quotas insofar as some 175 Feed Mills in the Prairie Provinces were concerned. From 1957 until 1959 the Board could not proceed with the administration of delivery quotas in respect to Feed Mills because of cases that were before the Courts during this period. While the Court cases were resolved in favour of the Board and its powers to administer delivery quotas in respect to Feed Mills, we still faced the administrative problem of enforcing delivery quotas insofar as they applied to Feed Mills. In 1959, and again in 1960, the position of Feed Mills was the subject of discussion and recommendation on the part of the House of Commons Standing Committee on Agriculture and Colonization. The Board gave consideration to the findings of the Standing Committee and certainly these findings were a factor in the decision reached by the Board. For your information I might read the 1959 and 1960 findings of the Committee.

One of the most cogent reasons for the Board decision was the fact that Feed Mills in the designated area carry out, in the main, a local operation. They acquire feed grains from producers and manufacture prepared feeds for sale to livestock producers in the area in which they operate. Therefore, the Board felt that this was a type of operation which could be worked out within local areas without the intervention of Board powers primarily directed to the interprovincial and export movement of grain. This latter field is the all-important one as far as the Wheat Board is concerned and it is this field in which the Board must concentrate its efforts. In the opinion of the Board, the new Feed Mill policy does not interfere with the major objectives of the Board and the system of controlled marketing in which we are engaged.

Having reached the decision that more freedom of action should be extended to producers delivering grain to Feed Mills, the question of the means became important. There were two courses of action which might have been followed. The Wheat Board might have recommended to the Government that it consider amending the Canadian Wheat Board Act to remove Feed Mills from the terms of the Act. This course was not followed. In all discussions within the last year or more no one has suggested that this course of action should be followed.

It was felt that Feed Mills should be kept within the scope of the Canadian Wheat Board Act. Therefore, the Board decided that the new Feed Mill policy could be put into effect by exempting producers from delivery quota regulations insofar as their deliveries to designated Feed Mills were concerned.

In working out the details of the policy, care was taken not to prejudice future policy and the Agreements which the Board has entered into with Feed Mills are on an annual basis.

Under the Agreements which we have entered into, Feed Mills are required to report the volume of their purchases from permit holders, and by July 31st next, or shortly thereafter, we will have at our disposal the first comprehensive information available as to the volume of grain which is involved in the feedstuffs industry of the Prairie Provinces. This information will be helpful in future policy decisions.

It was not unexpected that the Feed Mill policy announced by the Board would be subject to some criticism. Up to the present time that criticism has followed two main directions. There are those who say, in good faith, that the non application of delivery quota regulations to Feed Mills prejudices the over-all system of controlled marketing built up in this country over the past quarter of a century. This must remain a matter of opinion.

The second criticism has been in the field of prices paid by Feed Mills for grain purchased by them from permit holders. In this field of price, no great change was involved in the new Board policy because most feed plants were not Agents of the Board; were operating entirely within their respective provinces and could purchase feed grains from producers at negotiated prices. The change which was involved was that feed plants which formerly operated in a disadvantageous position as Agents of the Board were given the right to purchase feed grains from permit holders at negotiated prices, thereby removing the element of discrimination which the Agricultural Committee had noted.

There is one final observation which should be made. For many years now there has been within each of the Prairie Provinces a local market for feed grains as between producers and as between producers and feed lots. Producers within their province have always had the right to negotiate sales of grain in these categories with buyers.

There may be room for confusion between these local farm to feeder transactions and prices which are offered to permit holders by Feed Mills. Obviously, Feed Mills are effected by prices at which producers sell feed grains to their neighbours; to feeders and to feed lots. However, the Feed Mills are rapidly moving into the position where their buying prices will be a matter of public knowledge and producers can exercise their judgment as to whether they should offer feed grains to Feed Mills or await marketing opportunity through deliveries to the Board.

There is a long range viewpoint behind the new policy. As long as we have surplus conditions in Canada, surely it is advisable that the local use of grain in the production of livestock should be encouraged. We believe this development will take place slowly if producers, manufacturers of modern prepared feeds, and livestock producers are allowed to work out the problem of local distribution of feeds.

In the opinion of the Board, the new Feed Mill policy should be given a trial. With experience under the new plan, with more information as to the extent of Feed Mill operations, we will all be in a better position to assess the step which has been taken and the direction which future policy should take.

February 1st, 1961.

PARLIAMENTARY REPORTS RELATING TO FEED MILLS 1959 SESSION

In the Third Report of the Standing Committee on Agriculture and Colonization, under date of July 15, 1959 the following recommendation was made:

The Committee further recommends that the whole question of feed mills and their position in the grain trade should be clarified and, if necessary, new legislation introduced.

1960 SESSION

Under date of June 27, 1960 the Second Report of the Standing Committee on Agriculture and Colonization read as follows:

On March 9, 1960, the Committee was empowered to examine and enquire into the delivery of grain by producers to feed mills operating in the designated area as defined by the Canadian Wheat Board Act, and to report to the House observations and proposals thereon.

During the consideration of the above-mentioned Order of Reference, this Committee has held 14 sittings and heard evidence on the subject from the following:

1. The Canadian Wheat Board
2. The Board of Grain Commissioners
3. Alberta Wheat Pool
4. Rural Custom Feed Mills
5. Interprovincial Farm Union Council
6. Canadian Feed Manufacturers' Association
7. Saskatchewan Wheat Pool
8. United Grain Growers
9. Council of Canadian Beef Producers (Western Section)

Your Committee wishes to express its appreciation for the information and assistance tendered by the various witnesses.

The Committee finds that:—

1. The feeds industry is an integral and essential part of livestock industry and feed mills perform necessary social and economic services, expansion of which in the Prairie Provinces is desirable in the interests of economical and efficient production of livestock and poultry and the products thereof;
2. The feed industry has grown, and aided the general prosperity of local regions under a system of flexibility and the Committee finds that too much inflexibility in the allocation of quotas to feed mills is not in the best interest of either the producer or consumer of grains for feed. We, therefore, recommend that the former practice be continued.
3. Evidence was presented to the Committee that apparent discrimination exists between agreement and non-agreement mills and the Committee recommends that this situation be studied in order to maintain a fair position between these two types of mills.

A copy of the Committee's Minutes of Proceedings and Evidence is appended.

THE CANADIAN WHEAT BOARD

INSTRUCTIONS TO THE TRADE

No. 43

1960-61 Crop Year

Attention All Companies:

Dear Sirs: Re: *Order re Delivery of Grain to Feed Mills*

Whereas Section 16 of the Canadian Wheat Board Act provides that:

".....except with the permission of the Board, no person shall deliver grain to an elevator, and no manager or operator thereof shall receive delivery of grain unless—

- (a) the person delivering the grain is the actual producer of, or is entitled as a producer to the grain;
- (b) at the time of delivery the person delivering the grain produces to manager or operator a permit book under which he is entitled to deliver the grain in the crop year in which delivery is made;
- (c) the grain was produced in the crop year in which delivery is made on the lands described in the permit or in any other crop year on any lands whatsoever;

- (d) the grain is delivered at the delivery point named in the permit book; and
- (e) the quantity of grain delivered, whether sold, or delivered for storage, together with all grain of the same kind previously delivered under the permit book during the crop year in which delivery is made, does not exceed the quota established by the Board for such delivery point for grain of the kind delivered at the time it is delivered."

And whereas the elevators referred to in the Schedule to this Order have made application to the Board to be permitted to receive grain from the producers thereof as hereinafter authorized, and have given to the Board appropriate assurances relating to the handling of such grain.

Now, therefore, The Canadian Wheat Board doth hereby order:

Instruction to the Trade No. 43

- (1) pursuant to Section 16 aforesaid, each producer is hereby granted permission to deliver, and the manager operator of each of the said elevators is hereby granted permission to receive grain from the producer thereof without complying with the above quoted subsections (d) and (e) of Section 16 aforesaid.
- (2) this Order shall expire on the 31st day of July, 1961.

Yours very truly,
THE CANADIAN WHEAT BOARD,
Approved for the Board by:
W. C. McNamara
Chief Commissioner.

Reference:

C. A. McLean.
December 16th, 1960.

SCHEDULE

Manitoba

Arnolds Hatchery	Arborg
Burns & Company, Limited	Winnipeg
Colin C. Campbell & Son	Reston
Eastern Terminal Elevator Co., Limited	Transcona
Economy Grain & Feed Company, Limited	Winnipeg
Federal Grain Limited	Winnipeg
Feed-Rite Mills Limited	St. Boniface
Gladstone Feed Service	Gladstone
Kady Lo Limited	Gladstone
Kehler Feed & Seed Company, Limited	Niverville
Kent Flour Mills Limited, B.P.	Virden
Kleefeld Co-operative Dairy Limited	Kleefeld
Landmark Feed Mill	Landmark
P. J. Loewen Feed Mill	Giroux
Maple Leaf Milling Company, Limited	St. Boniface
McCable Grain Company, Limited	St. Boniface
National Grain Company, Limited	Dauphin
Ogilvie Flour Mills Company, Limited	Winnipeg
Portage La Prairie Feed Service	Portage La Prairie
J. P. Riediger & Sons Limited	Manitou
Riediger & Sons, J.P.	Morden
Steinbach Hatchery Limited	Steinbach
Victoria Products Limited	St. Boniface
Winkler Milling Company, Limited	Winkler

Saskatchewan

Bells Limited	Prince Albert
Burns & Company, Limited	Prince Albert
Burns & Company, Limited	Regina
Coupland Milling Company	Meadow Lake
Early Seed & Feed Limited	Saskatoon
Federated Co-op. Limited.	Saskatoon
Intercontinental Packers Limited	Saskatoon
McCable Grain Company, Limited	Moose Jaw
McCable Grain Company, Limited	Regina
Moose Jaw Co-op. Association	Moose Jaw
Parrish & Heimbecker Limited	Regina
Quaker Ots Company of Canada Limited	Saskatoon
Smith Hatcheries	Tisdale
Taylor's Flour & Feed Mill	Saskatoon
Waskesiu Mills Limited	Prince Albert
Weyburn Flour Mills Limited	Weyburn
Wynyard Flour Mill	Wynyard

Alberta

Bonnyville Feed Service Mill	Bonnyville
Burns & Company, Limited—Feed Dept. Box 680	Calgary
Burns & Company, Limited—120th Ave. & 72nd St.	Edmonton
Byers Flour Mills	Camrose
Calgary Co-op. Fur Farmers Association Ltd., 1701-11th St., S.E.	Calgary
Calmar Feed Service, Box 297	Calmar
Canada Packers Limited	Edmonton
Canada West Grain	Edmonton
Curtis Feed Service	Morinville
David Fyfe Livestock Feed Service	Andrew
Donalda Feed Service Limited	Donalda
Eckville Co-op. Association Limited	Eckville
Ellison Milling and Elevator Company, Limited	Lethbridge
Ferguson Feed Service	Rimbey
Gold Medal Feeds Limited, 2239-14A Street, S.E.	Calgary
Gole & Sons Producers Limited	Didsbury
Hedlin Feed Service Mill	Lacombe
Lamont Feed Service	Lamont
Lethbridge Feed Service Limited, Box 366	Lethbridge
Love & Sons, J. E., 403-4th Street	Calgary
Mannings Feed Service	Delburne
Maple Leaf Milling Company, Limited	Calgary
Maple Leaf Milling Company, Limited	Medicine Hat
McCable Grain Company, Limited	Edmonton
Midland & Pacific Grain Corporation Limited	Carstairs
Midland & Pacific Grain Corporation Limited	Okotoks
Midland & Pacific Grain Corporation Limited	Ponoka
Montalbetti Brothers Limited	Bluffton
Ogilvie Flour Mills Company, Limited	Edmonton
Ogilvie Flour Mills Company, Limited	Medicine Hat
Okotoks Feed Service	Okotoks
Parrish & Heimbecker Limited	Big Valley
Parrish & Heimbecker Limited	Bruderheim
Parrish & Heimbecker Limited	Calgary
Parrish & Heimbecker Limited	Crossfield

Parrish & Heimbecker Limited	High River
Parrish & Heimbecker Limited	Leduc
Parrish & Heimbecker Limited	Olds
Parrish & Heimbecker Limited	Red Deer
Parrish & Heimbecker Limited	Stettler
Parrish & Heimbecker Limited	Three Hills'
Reliable Feed Mill	Linden
Shield Manufacturing Limited	Vegreville
Spruce Grove Industries Limited	Spruce Grove
Sterling Flour Mills Limited	Strome
Stony Plain Stock Feed Company	Stony Plain
St. Paul Feed Mill	St. Paul
Sundre Feed Mill	Sundre
Taber Feed Mill	Taber
Thorhild Feed Service	Thorhild
Thorsby Feed Service	Thorsby
United Grain Growers Limited	Benalto
United Grain Growers Limited	Innisfail
United Grain Growers Limited	South Edmonton
Vermilion Feed Mill	Vermilion
Vilna Feed Mill	Vilna
Vulcan Flour Mills	Vulcan
X L Feed & Supply Limited	Bassano

DESIGNATION OF NON-QUOTA FEED MILL

Application

The undersigned Manager, or Owner, of a Feed Mill located at

and known as

Station	Province	Name of Mill
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hereby makes application for designation of the said Feed Mill by the Canadian Wheat Board as a "Non-Quota Feed Mill" until July 31st, 1961, for the purpose of;

- (1) providing for the acceptance into the said Feed Mill of producers' grain which is exempted from delivery quota regulations established under authority of the Canadian Wheat Board Act, and which is (a) produced within the province in which the said Feed Mill is situated and (b) received into the said Feed Mill for processing into feedstuffs for sale within the said province;
- (2) providing, where appropriate, for the right to purchase such grain from producers for the account of the said Feed Mill at prices negotiated with the producers concerned.

Undertaking

If the aforesaid designation is granted by the Board, the undersigned Manager, or Owner, undertakes on behalf of the said Feed Mill as follows:

- (1) to purchase for the account of the said Feed Mill quota-exempted grain and, unless otherwise authorized by the Board, to purchase such grain from Permit Holders located in the province in which the said Feed Mill is situated;
- (2) to sell such grain within the said province unless otherwise authorized by the Board, and to sell such grain solely in the form of prepared or processed feedstuffs;

- (3) to store separately and preserve the identity of grain purchased (a) for the account of the said Feed Mill and (b) for the account of The Canadian Wheat Board;
- (4) to maintain records, satisfactory to the Board, of purchases of grain from Permit Holders for the account of the said Feed Mill, and on request make such records available for inspection by authorized employees of The Canadian Wheat Board;
- (5) to submit to the Canadian Wheat Board on or before January 15th, 1961, a return, on a form prescribed by the Board, showing total purchases of wheat, oats and barley for the account of the said Feed Mill for the period August 1st, 1960 to December 31st, 1960, and a further return, on a similarly prescribed form, on or before the 15th day of August, 1961, setting forth the total purchases of wheat, oats and barley from Permit Holders for the account of the said Feed Mill during the period from January 1st, 1961 to July 31st, 1961.

DATED THIS _____ day of _____ A.D. 1960.

Manager and Owner

Cable Address: Wheatboard
Telex 03-583

THE CANADIAN WHEAT BOARD
423 Main Street
Winnipeg 2, Canada

March 13, 1961.

Country Operations Department:
Circular Letter No. 16
To All Companies:

Dear Sirs:

Re: Designated Non-Quota Feed Mills

For the convenience of all concerned, we attach hereto a complete schedule, alphabetically, by province, of all mills which have been designated as "Non-Quota Feed Mills".

Yours very truly,

THE CANADIAN WHEAT BOARD,
C. A. McLEAN,
Manager, Country Operations.

S C H E D U L E

Manitoba

Altona Feed Service Mill
Arnold's Hatchery
Boissevain Feed Mills Limited
Bonnie Poultry Farm
Brandon Feed Service
Burns & Company Limited

Altona
Arborg
Boissevain
Lac du Bonnet
Brandon
Winnipeg

Campbell & Son, Colin C.	Reston
Dufferin Feed Service	Carman
Eastern Terminal Elevators Company Limited	Transcona
Economy Grain & Feed Company Limited	Winnipeg
Einerson Seed & Feed Company	Glenboro
Ellison Brothers	Teulon
Fairway Milling & Grain Company Limited	St. Boniface
Federal Grain Limited	Winnipeg
Federated Co-Operatives Limited	Winnipeg
Feed-Rite Mills Limited	Winnipeg
Gladstone Feed Service	Gladstone
Grunthal Feed Service	Grunthal
Hambley Alfalfa Mills	Swan Lake
Inter-Lake Flour & Feed Company	Arborg
John's Feed Service Mill	Grandview
Kady-Lo Limited	Shoal Lake
Kehler Feed & Seed Company Limited	Niverville
Kent Flour Mills Limited, B.P.	Virden
Killarney Feed Service Mill	Killarney
Kleefeld Co-Operative Dairy Limited	Kleefeld
Laing Brothers Limited	Winnipeg
Laiterie Co-Operative de La Broquerie	La Broquerie
Landmark Feed Mill Limited	Landmark
Lockport Feed Mill	Lockport
Loewen Feed Mill, P. J.	Giroux
Maple Leaf Milling Company Limited	St. Boniface
McCabe Grain Company Limited	St. Boniface
Minnedosa Feed Mill	Minnedosa
National Grain Company Limited	Dauphin
Neepawa Feed Service	Neepawa
North West Flour Mills	Fisher Branch
Ogilvie Flour Mills Company Limited	Winnipeg
Pilot Mound Feed Service Mill	Pilot Mound
Pioneer Grain Company Limited	Carey
Plum Coulee Feed Service	Plum Coulee
Portage la Prairie Feed Service	Portage la Prairie
Riediger & Sons Limited, J. P.	Manitou
Riediger & Sons Limited, J. P.	Morden
Roblin Flour Mills	Roblin
Rosenort Feed Service	Rosenort
Searle Grain Company Limited	St. Boniface
Selkirk Feed Service Mill	Selkirk
Souris Seed & Feed	Souris
Steinbach Feed Service Mill Limited	Steinbach
Steinbach Flour Mills Limited	Steinbach
Steinbach Hatchery Limited	Steinbach
Stonewall Feed Service Mill	Stonewall
Valley Feed Service	Morris
Victoria Products Company Limited	St. Boniface
Winkler Feed Service Limited	Winkler
Winkler Milling Company Limited	Winkler

Saskatchewan

Bell's Limited	Prince Albert
Burns & Company Limited	Prince Albert
Burns & Company Limited	Regina

Canada Packers Limited	Melfort
Coupland Milling Company	Meadow Lake
Early Seed & Feed Limited	Saskatoon
Federated Co-Operatives Limited	Saskatoon
Intercontinental Packers Limited	Saskatoon
McCabe Grain Company Limited	Moose Jaw
McCabe Grain Company Limited	Regina
Moose Jaw Co-Operative Association Limited	Moose Jaw
Parrish & Heimbecker Limited	Regina
Quaker Oats Company of Canada Limited, The	Saskatoon
Redvers Feed Plant	Redvers
Robin Hood Flour Mills Limited	Moose Jaw
Robin Hood Flour Mills Limited	Saskatoon
Smith Hatcheries	Tisdale
Taylor's Flour & Feed Mill	Saskatoon
Waskesiu Mills Limited	Prince Albert
Weyburn Flour Mills Limited	Weyburn
Wynyard Flour Mill	Wynyard
Yorkton Milling Company Limited	Yorkton

Alberta

Airdrie Feed Service	Airdrie
Alberta Co-Operative Wholesale Association Limited	Edmonton
Alberta Flour & Feed Limited	Edmonton
Ballard's Animal Foods Limited, Dr.	Calgary
Barrhead Feed Mill	Barrhead
Beiseker Feed Mill	Beiseker
Bentley Farm Supply Limited	Bentley
Bonnyville Feed Service	Bonnyville
Bowns Supply Centre Limited	Lethbridge
Burns & Company Limited	Calgary
Burns & Company Limited	Edmonton
Butte Feeds Limited	Picture Butte
Byers Flour Mills	Camrose
Calgary Co-Operative Fur Farmers' Association Limited	Calgary
Calgary Feed Service Limited	Calgary
Calmar Feed Service	Calmar
Canada Packers Limited	Innisfail
Canada West Grain Company Limited	Edmonton
Claresholm Feed Mill Limited	Claresholm
Clover Bar Machinery Industries Limited	Clover Bar
Coaldale Feed Supplies	Coaldale
Cowley Feed Service	Cowley
Crown Seed & Feed Limited	Calgary
Curtis Feed Service	Morinville
Donalda Feed Service Limited	Donalda
Eckville Co-Operative Association Limited, The	Eckville
Ellison Milling & Elevator Company Limited	Lethbridge
Ellison Milling & Elevator Company Limited	Magrath
Ellison Milling & Elevator Company Limited	Picture Butte
Ellison Milling & Elevator Company Limited	Raymond
Elzinga, P.	Fdmonton
Fairplay Feed Store	Calgary
Ferguson Feed Service	Rimbey

Forestburg Feed Service Mill	Forestburg
Fosters Seed & Feed Limited	Beaverlodge
Four-Way Wholesale	Edson
Fyfe Livestock Feed Service, D. G.	Andrew
Gold Medal Feeds Limited	Calgary
Gole & Sons Producers Limited	Didsbury
Goudreau's Feed Service	Beaumont
Grande Prairie Feed Service Limited	Grande Prairie
Hansons Feed Service Mill	Viking
Hedlin's Feed Service	Lacombe
Henderson Feeds, Thos.	Edmonton
Holt's Farm & Ranch Supplies	Lloydminster
Kavanagh Feed Mill	Kavanagh
Lamont Feed Service	Lamont
Lethbridge Feed Service Limited	Lethbridge
Love & Sons Limited, J. E.	Calgary
Maple Leaf Milling Company Limited	Calgary
Maple Leaf Milling Company Limited	Medicine Hat
Mannings Feed Service	Delburne
McCabe Grain Company Limited	Edmonton
McKay & Krause Feed Service Limited	Wetaskiwin
Midland & Pacific Grain Corporation Limited	Carstairs
Midland & Pacific Grain Corporation Limited	Okotoks
Midland & Pacific Grain Corporation Limited	Ponoka
Montalbetti Brothers Limited	Bluffton
Munro's Feed & Seed	Nanton
North Edmonton Mobile Feed	Edmonton
North Peace Feed Mill	Fort St. John, B.C.
North West Mill & Feed Company Limited	South Edmonton
Ogilvie Flour Mills Company Limited	Edmonton
Ogilvie Flour Mills Company Limited	Medicine Hat
Okotoks Feed Service	Okotoks
Olds Feed Mill	Olds
Parrish & Heimbecker Limited	Big Valley
Parrish & Heimbecker Limited	Bruderheim
Parrish & Heimbecker Limited	Calgary
Parrish & Heimbecker Limited	Crossfield
Parrish & Heimbecker Limited	High River
Parrish & Heimbecker Limited	Leduc
Parrish & Heimbecker Limited	Olds
Parrish & Heimbecker Limited	Red Deer
Parrish & Heimbecker Limited	Stettler
Parrish & Heimbecker Limited	Three Hills
Ponoka Feed Mill	Ponoka
Quality Feed Limited	Dawson Creek, B.C.
Red Deer Seed Company Limited, Feed Division	Red Deer
Reliable Feed Mill	Linden
Robin Hood Flour Mills Limited	Calgary
Rockyford Feed Mill	Rockyford
Samoil Feed Service	Lavoy
Selin's Feed Service	Bashaw
Shield Manufacturing Limited	Vegreville
Spruce Grove Industries Limited	Spruce Grove
Sterling Flour Mills Limited	Strome
Stony Plain Stock Feed Company	Stony Plain
St. Paul Feed Mill	St. Paul

Strathmore Feed Service
 Sundre Feed Mill
 Sunset Seed Company Limited
 Swift Canadian Company Limited
 Taber Feed Mill
 Thorhild Feed Service
 Thorsby Feed Service
 Tofield Feed Mill
 T. & T. Feed Service
 United Grain Growers Limited
 United Grain Growers Limited
 United Grain Growers Limited
 Vermilion Feed Mill
 Vilna Feed Mill
 Vulcan Flour Mills
 Westlock Feed Mill
 Woodbridge Feed Service Limited
 XL Feed & Supply Limited

Strathmore
 Sundre
 Creston, B.C.
 Edmonton
 Taber
 Thorhild
 Thorsby
 Tofield
 Medicine Hat
 Benalto
 Innisfail
 South Edmonton
 Vermilion
 Vilna
 Vulcan
 Westlock
 Josephburg
 Bassano

THE CANADIAN WHEAT BOARD
 INSTRUCTIONS TO THE TRADE

No. 41

Attention all Companies:

Dear Sirs:

Re: Feed Mills

The Board today announced provisions whereby 1960-61 Delivery Permit Holders will be authorized to deliver, outside delivery quota regulations, supplies of wheat, oats and barley to designated Feed Mills. The designated Feed Mills will be those Mills which complete an Agreement with the Board, effective until July 31st, 1961, and which will be named in an Order of the Board to be issued at an early date. In general terms, the Agreement provides that designated Feed Mills may receive quota-exempt wheat, oats and barley from 1960-61 Permit Holders in the province in which the Feed Mills is located. Wheat, oats and barley will be purchased by designated Feed Mills for their own account at prices negotiated with Delivery Permit Holders. Wheat, oats and barley so acquired must be re-sold by contracting Feed Mills solely in the form of prepared or processed feedstuffs within the province in which the Feed Mill is situated. Feed Mills participating in the arrangement will be required to maintain records which are satisfactory to the Board and to submit reports of purchases as required by the Agreement.

Agreements are being forwarded today to all Feed Mills in the prairie provinces. When the Agreements are signed and returned to the Board, an Order of the Board will be issued designating signatory Feed Mills as "Non-Quota Feed Mills". On designation, such Feed Mills may receive from 1960-61 Delivery Permit Holders, and 1960-61 Delivery Permit Holders may deliver to such Feed Mills, wheat, oats and barley, and any such receipts and deliveries will be exempt from delivery quota regulations.

Yours very truly,

THE CANADIAN WHEAT BOARD,

Approved for the Board by:

W. C. McNamara,
 Chief Commissioner.

Reference:

C. A. McLean.

November 30th, 1960.

No. 5 WHEAT

Crop Account	(1) Initial Payment	Additional Payments	(1) Realized Prices	(2) Freight	(3) Country Elevator Margin	Realized Local Price
(dollars per bushel)						
1952-53.....	1.16	.4151	1.5751	12.0	4.5	1.4101
1953-54.....	1.12	.2092	1.3292	12.0	4.5	1.1642
1954-55.....	1.12	.0662	1.1862	12.0	4.5	1.0212
1955-56.....	1.10	.1991	1.2991	12.0	4.5	1.1341
1956-57.....	1.08	.1752	1.2552	12.0	4.5	1.0902
1957-58.....	1.08	.2422	1.3222	12.0	4.5	1.1572
1958-59.....	1.08	.2985	1.3785	12.0	4.5	1.2135
1959-60.....	1.08	.3099	1.3899	12.0	4.5	1.2249

(1) Basis in store Fort William/Port Arthur or Vancouver.

(2) Basis average freight rate of 20 cents per cwt.

(3) As per Handling Agreement.

OATS

Crop Account	(1) Initial Payment	Additional Payments	(1) Realized Prices	(2) Freight	(3) Country Elevator Margin	Realized Local Price
(cents per bushel)						
1952-53.....	60	8.48	68.48	6.8	3.5	58.18
1953-54.....	60	6.18	66.18	6.8	3.5	55.88
1954-55.....	60	11.35	71.35	6.8	3.5	61.05
1955-56.....	60	11.44	71.44	6.8	3.5	61.14
1956-57.....	60	—	60.00	6.8	3.5	49.70
1957-58.....	55	3.16	58.16	6.8	3.5	47.86
1958-59.....	55	8.40	63.40	6.8	3.5	53.10
1959-60.....	55	16.21	71.21	6.8	3.5	60.91

(1) Basis in store Fort William/Port Arthur.

(2) Basis average freight rate of 20¢ per cwt.

(3) As per Handling Agreement.

BARLEY

Crop Account	(1) Initial Payment	Additional Payments	(1) Realized Prices	(2) Freight	(3) Country Elevator Margin	Realized Local Price
(cents per bushel)						
1952-53.....	87	25.86	112.86	9.6	4.5	98.76
1953-54.....	87	8.00	95.00	9.6	4.5	80.90
1954-55.....	87	13.65	100.65	9.6	4.5	86.55
1955-56.....	87	12.32	99.32	9.6	4.5	85.22
1956-57.....	87	5.15	92.15	9.6	4.5	78.05
1957-58.....	87	2.10	89.10	9.6	4.5	75.00
1958-59.....	87	3.02	90.02	9.6	4.5	75.92
1959-60.....	87	1.19	88.19	9.6	4.5	74.09

(1) Basis in store Fort William/Port Arthur.

(2) Basis average freight rate of 20¢ per cwt.

(3) As per Handling Agreement.

THE CANADIAN WHEAT BOARD

COMPARISON OF BOARD INITIAL PRICES WITH PRICES PAID BY DESIGNATED NON-QUOTA FEED MILLS
MANITOBA AND SASKATCHEWAN

Location	Grade	Initial Price	Non-Quota Mill Price
St. Boniface.....	Barley 1 feed	\$.75 $\frac{1}{4}$	\$.75
".....	Barley 1 Feed	.75 $\frac{1}{4}$	.75
Steinbach.....	Wheat No. 5	.95	1.25-1.30
	Oats 1 Feed	.46 $\frac{2}{3}$	.60-.65
	Barley 1 Feed	.75 $\frac{1}{4}$	.75
Winnipeg.....	Barley 1 Feed	.75 $\frac{1}{4}$	.75
".....	Wheat No. 5	.95	1.25
	Oats 1 Feed	.46 $\frac{2}{3}$	.57
	Barley 1 Feed	.75 $\frac{1}{4}$	.75
".....	Wheat No. 5	.95	1.10 ex Brandon
	Oats 1 Feed	.46 $\frac{2}{3}$	.50-.55 "
".....	Wheat No. 5	.95	1.15
	Oats 1 Feed	.46 $\frac{2}{3}$	.55
Moose Jaw.....	Wheat No. 5	.91 $\frac{1}{2}$	.85
	Oats 1 Feed	.44 $\frac{2}{3}$	.50
	Barley 1 Feed	.72 $\frac{1}{2}$	.65
".....	Wheat No. 5	.91 $\frac{1}{2}$	.90
	Oats 1 Feed	.44 $\frac{2}{3}$	.50
	Barley 1 Feed	.72 $\frac{1}{2}$	.65
Saskatoon.....	Wheat No. 5	.90 $\frac{1}{4}$	1.00
	Oats 1 Feed	.44	.50
	Barley 1 Feed	.71 $\frac{1}{2}$	.65
".....	Wheat No. 5	.90 $\frac{1}{4}$	1.00
	Oats 1 Feed	.44	.50
	Barley 1 Feed	.71 $\frac{1}{2}$	.70
".....	Wheat No. 5	.90 $\frac{1}{4}$	1.00
	Oats 1 Feed	.44	.50
	Barley 1 Feed	.71 $\frac{1}{2}$	.70
ALBERTA			
Edmonton.....	Wheat No. 5	.91 $\frac{1}{2}$	1.20
	Oats 1 Feed	.42 $\frac{2}{3}$	.55
	Barley 1 Feed	.70	.70
Calgary.....	Wheat No. 5	.91 $\frac{1}{2}$	1.15
	Oats 1 Feed	.42 $\frac{2}{3}$	.69
	Barley 1 Feed	.70	.80
Lethbridge.....	Wheat No. 5	.90 $\frac{1}{4}$	1.10
	Oats 1 Feed	.43	.65
	Barley 1 Feed	.70 $\frac{1}{2}$	.75

17
HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament

1960-61

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: JAMES A. McBAIN, Esq.

PROCEEDINGS

No. 17

THIRD REPORT TO THE HOUSE

Respecting

PRICES OF FARM MACHINERY

TUESDAY, SEPTEMBER 26, 1961

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
AGRICULTURE and COLONIZATION

Chairman: James A. McBain, Esq.,

Vice-Chairmen: Paul Lahaye, Esq., and C. S. Smallwood, Esq.
and Messrs.

Argue	Hales	Pascoe
Badanai	Hardie	Peters
Belzile	Henderson	Phillips
Boulanger	Hicks	Racine
Brassard (<i>Lapointe</i>)	Horner (<i>Acadia</i>)	Rapp
Campbell (<i>Lambton-Kent</i>)	Horner (<i>Jasper-Edson</i>)	Regnier
Clancy	Howe	Ricard
Clermont	Kindt	Rogers
Cooper	Knowles	Rompere
Danforth	Korchinski	Slogan
Doucett	Latour	Southam
Drouin	Leduc	Stefanson
Dubois	Mandziuk	Tardif
Dupuis	McIntosh	Thomas
Fane	Michaud	Thompson
Forbes	Milligan	Tucker
Forge	Montgomery	Villeneuve
Godin	Muir (<i>Lisgar</i>)	Webb—60.
Gundlock	Nasserden	
	Noble	

(Quorum 15)

Clyde Lyons,
Clerk of the Committee.

REPORT TO THE HOUSE

September 26, 1961.

The Standing Committee on Agriculture and Colonization has the honour to present the following as its

THIRD REPORT

Your Committee has investigated the following aspects of farm machinery prices:

1. Costs of manufacturing farm machinery, including labour (wages and salaries), materials, overhead and profits;
2. Costs of distributing farm machinery, including the margins earned by dealers and transportation costs;
3. Other costs of ownership of farm machinery, such as charges for credit;
4. The organization of the farm machinery industry and market in North America.

The points of view of farm organizations, labour organizations, the farm machinery manufacturers and others with respect to the price of farm machinery have been placed on the records of your Committee.

Your Committee reports that it has met 32 times and feels, due to the wide scope of the questions considered, further study is necessary to determine the effect on the prices of farm machinery and repairs of the following:

- (a) If farmers are receiving the full advantage of a free trade market in farm machinery
- (b) Cost of distribution of farm machinery
- (c) Cost and standardization of parts
- (d) Standardization of farm machinery
- (e) Credit arrangements
- (f) The reluctance of machine manufacturers to provide details of their costs, which are regarded as being of a competitive nature
- (g) Different opinions of the witnesses as to the productivity of labour as compared to increase in wages.

Further study is also required because of the following:

- (a) The necessity of recalling some witnesses
- (b) Other witnesses yet to be heard.

Your Committee wishes to express its appreciation to all those who presented evidence and for the services of Mr. Gordon Haase, Economist, Department of Agriculture.

In view therefore of the present status of its enquiry, your Committee accordingly recommends:

1. That the subject of farm machinery prices be referred to it as soon as possible after the opening of the next session of Parliament;

2. That the Ministers of the different government departments concerned instruct their officers to offer every assistance to the persons designated by the Committee to procure and compile all available facts regarding farm machinery prices.

3. That the government send a fact finding group abroad, or use any other practical means to gather information on farm machinery as to (a) Prices dealers pay abroad for goods that come from production centres which also supply Canada, (b) Distribution costs and credit assistance given in other countries in regard to purchasing.

A copy of the Minutes of Proceedings and Evidence is appended hereto.

Respectfully submitted,

JAMES A. MCBAIN,
Chairman.

(Reprint of meeting appearing in
No. 16 at page 1307)

MINUTES OF PROCEEDINGS

WEDNESDAY, June 21, 1961.
(32)

The Standing Committee on Agriculture and Colonization met, *in camera*, at 3.00 p.m. The Chairman, Mr. James A. McBain, presided.

Members present: Messrs. Boulanger, Clermont, Danforth, Fane, Forgie, Gundlock, Henderson, Hicks, Horner (*Acadia*), McBain, Mandziuk, Muir (*Lisgar*), Nasserden, Rapp, Smallwood, Southam, Thomas, Thompson, Tucker, and Webb—(20).

The Committee considered, amended and adopted a draft report on farm machinery prices for presentation to the House.

At 3.30 p.m. the Committee adjourned until Friday, June 24, at 9.30 a.m.

Clyde Lyons,
Clerk of the Committee.

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